FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Argentina: Austerity plan clears first hurdle, Page 14

World news

Business summary

Spanish officer shot in Madrid

Suspected Basque guerrillas struck at the head of Spain's military establishment yesterday, killing a senior navy officer in charge of defence policy.

In an attack in central Madrid, three gunmen stopped a car taking Vice-admiral Fausto Escrigas Estrada to work and riddled it with submachine-gun bullets.

Escrigas Estrada, 59, was pronounced dead on arrival at hospital. His 57-year-old chauffeur is in a critical condition. Page 2

Thai minister suicide

Thai Minister of Science Technology and Energy, Damrong Lathaphipat, shot himself in the head in front of the government house before a special Cabinet meeting.

Libyans expelled

West Germany has expelled four Libyan diplomats on suspicion of planning attacks on exiled opponents of Libyan leader Muammer Gadaffi.

Summit response

The United Arab Emirates became the second state to accept a call by King Hassan of Morocco for an extraordinary Arab summit on August 7. Syria and Lebanon said they would not attend.

Greenpeace hunt

Police throughout the South Pacific are hunting three Frenchmen wanted for the sabotage of Greenpeace protest ship Rainbow Warrior. Sophie and Alain Turenge, who claim Swiss nationality, are already being held.

Refugees attacked

Danish youths hurled a petrol bomb into a refugee centre in Kalunborg where 150 foreigners, mainly Iranians seeking political asylum, are staying. No one was injured.

Bangladesh floods

At least 400,000 people were stranded clinging to rafts, floating rooftops or trees, waiting for rescue after rain-swollen rivers flooded six districts in northern Bangladesh.

Landslides hit India

At least 10 people died and 30 were injured by landslides in India's north-eastern Meghalaya state as floods caused by heavy rain spread across the north of the country.

Activist released

The Guadeloupe Appeal Court ordered the conditional release of independence activist Georges Faisans, clearing the way for an end to the six-day general strike.

Pakistan earthquake

At least two people were killed, two injured and many buildings damaged when an earthquake measuring 6.5 on the open-ended Richter scale rocked northern Pakistan.

Mafia hunter killed

Police commissioner Giuseppe Montana, 35, who led a hunt through Sicily for Mafia gangsters, was killed on a jetty outside Palermo.

Relief camp to close

Ethiopia plans to close its largest famine relief camp in order to get refugees to return home to till the land. There is still a chronic shortage of seeds and tools, however.

Iraqi counter-attack

Iraq said its troops crushed an Iranian attack at dawn in the mountainous northern war zone near the Turkish border.

Woman jumps ship

A 29-year-old Ukrainian woman is in hospital suffering from exposure after jumping from a cruise ship into arctic waters off Spitzbergen, swimming a kilometre and walking for four days before being found.

UK coal industry records £2bn loss

BRITAIN'S National Coal Board yesterday declared an overall loss of £2.225bn last year, but expects to cut its losses to £300m in the current year and break even in 1986/87.

The cost to the Government for the coal industry during the past year totals more than £2.6bn – including a grant to cover the deficit of £2.225bn, other grants for £189m and funding of a redundant mineworkers' pensions scheme of £199m.

The Board expects to cut 4m tonnes of output this year, with a higher cut in total capacity, possibly on the order of 6m tonnes. Page 16

WALL STREET: The Dow Jones industrial average closed down 13.22 at 1,343.86. Page 36

LONDON prices made a broad advance encouraged by the cut in base lending rates. The FT Ordinary index added 8.3 to 932.4. Page 36

TOKYO stocks moved sharply lower. The Nikkei-Dow market average lost 98.95 to 12,591.42. Page 36

DOLLAR remained weak in London, falling to DM 2.819 (DM 2.864), FFr 8.595 (FFr 8.7), SwFr 2.288 (SwFr 2.3345) and Y237.1 (Y239.25). On Bank of England figures the dollar's index fell to 136.8 from 138.7. Page 29

STERLING was very strong in London, gaining 2.05 cents against the dollar to $1.429. It also rose to DM 4.03 (DM 4.0275), FFr 12.285 (FFr 12.275) and Y338.5 (Y336.75) but eased to SwFr 3.27 (SwFr 3.2875). The pound's exchange rate index rose 0.5 to 84.7. Page 29

GOLD gained $10.50 on the London bullion market to $328.25. It also rose sharply in Zurich to $328.75. Page 28

LATIN AMERICA'S 11 biggest debtor nations have sent their foreign ministers to Lima for talks in which they are expected to consider putting maximum limits on repayment of the region's $360bn deficit.

ZIMBABWE budget today is likely to raise food and petrol prices to curb the country's deficit and secure a new IMF standby agreement. Page 3

CHILEAN Economy Minister Modesto Collados was replaced by former chamber of commerce president Juan Carlos Delano in the second government shake-up in six months.

CHINA produced an unexpected first-half budget surplus of 11.6bn yuan ($4bn) despite frequent government criticism of overspending. Page 3.

FRENCH BANKS' net profits increased by about 4 per cent to FFr 7.6bn ($873m) during 1984, according to the country's banking commission. Page 17

DRESDNER BANK, West Germany's second largest commercial bank, lifted first-half operating profit to a record level, partly because of strong securities trading on its own account. Page 17

SWEDISH blue collar workers' trade union confederation LO has taken a 2 per cent stake in Skaninaviska Enskilda Banken, the country's largest commercial bank, through the purchase of about 2m shares. Page 17

TEXACO, third biggest U.S. oil company, reported virtually unchanged second-quarter net income of $305m, with strong gains from refining and marketing offset by lower exploration and production profits. Page 17

BOEING, U.S. aircraft manufacturer, lifted second-quarter net income by 24 per cent to $136m, largely through increased profits from commercial aircraft and higher interest earnings.

PERSTORP, Swedish chemicals and plastics group, has reached preliminary agreement to acquire two French plastics manufacturing facilities with a combined turnover of FFr 250m ($28.4m). Page 17

REAGAN INVITES SOVIET OBSERVERS

U.S. rejects Soviet offer to suspend nuclear testing

BY STEWART FLEMING IN WASHINGTON

THE REAGAN *Administration* yesterday bluntly rejected Soviet proposals for a moratorium on underground nuclear testing, issuing instead an unprecedented public invitation to the Soviet Union to send a team of observers to monitor an underground test at the U.S. test site in Nevada.

The sudden flurry of superpower diplomacy, which will be widely seen as the opening moves in the propaganda barrage anticipated ahead of the planned summit meeting between U.S. President Ronald Reagan and the Soviet leader, Mr Mikhail Gorbachev in November, surfaced at the White House yesterday. Mr Larry Speakes, the White House spokesman, issuing the invitation to witness a U.S. nuclear test, said: "The Soviet experts are invited to bring any instrumentation devices that (they) deem necessary to measure the yield of this test."

Within hours, however, the White House disclosed that on Sunday it had been notified by Mr Gorbachev that the Soviet Union would unilaterally observe a five-month moratorium on underground nuclear tests beginning on August 6, the 40th anniversary of the bombing by the U.S. of the Japanese city of Hiroshima. Mr Gorbachev said that the Soviet Union would not necessarily resume testing on January 1, but would retain its moratorium if the U.S. would do likewise.

A senior Reagan Administration official denied yesterday that the timing of its invitation was linked to the Soviet moratorium proposal, saying that it had been under discussion within the Administration for some time. He said the timing of the letter that President Reagan had sent to Mr Gorbachev conveying the invitation was "co-incidental".

The timing of the Soviet move; the decision to link the moratorium to the anniversary of the bombing of Hiroshima; and the fact that the U.S. was forced to move fast in order to try to avoid the impression that it had been caught unprepared; provides further evidence of the more skillful use of public announcements by the new Soviet leadership.

In its response, however, the U.S. quickly sought to offset any propaganda benefits to the Soviet Union. In a prepared statement, Mr Speakes, stressing that the U.S. was anxious for the deadlocked Geneva arms control talks to produce "radical reductions" in nuclear arsenals, said: "We regret that the Soviet Union to date has been unwilling to negotiate concrete and detailed terms to achieve such reductions in Geneva."

Separately, the senior Administration official, explaining the negative U.S. response to the moratorium proposal, said that the U.S. had too much experience with Soviet non-compliance with arms control agreements to have the confidence to accept such an initiative.

He said that the proposal follows "years of extensive Soviet nuclear testing supporting a new generation of arms agreements," adding that "an unverified moratorium on nuclear testing would not address our very real... concerns."

Shevarnadze highlights spirit of detente, Page 2

UK banks reduce base lending rates to 11½%

BY MAX WILKINSON, CORRESPONDENT, IN LONDON

BRITAIN's major banks all cut their base lending rates by half a percentage point yesterday to 11½ per cent.

The cut followed a clear signal from the authorities on Friday, but the indications yesterday were that the Treasury intends to keep monetary policy fairly tight.

Even after the cut, UK interest rates remain high in real terms and are above those in any other major industrial country.

At 11½ per cent, base rates are only ½ percentage point below their peak in July last year, which came after a sharp increase in defence of sterling.

The cut in UK interest rates appeared to have no affect on sentiment towards the pound which continued firm against the D-Mark and put on another 2 cents against a weakening dollar in London yesterday.

The sterling index, against a trade – weighted basket of currencies, rose from 84.2 at Friday's London close to 84.7 (1974=100), its highest since the end of September.

The foreign exchange markets continued to believe that the dollar would weaken, and this encouraged the discount houses to test the Bank of England's willingness to concede a further small cut in its dealing rates.

The Bank, however, refused offers of bills at lowered rates and showed plainly that it believed a period of consolidation was necessary at present interest rates.

In the gilt-edged markets, the mood of optimism which greeted the authorities move on Friday continued yesterday with further gains in prices.

This cautiously optimistic mood was in contrast with a retreat on Wall Street in early trading which particularly affected interest-sensitive issues including insurance stocks and utilities.

The UK Treasury's decision to order a cut in interest rates was prompted partly by the anxieties expressed by industrialists at the

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Britain's industrial competitiveness is being hampered by the over-valuation of sterling against European currencies and the persistent rise of salaries in excess of inflation, according to a study from Banque Indosuez, the internationally-operating nationalised French bank.

In its lengthy analysis of six years of the "Thatcher experience" in Britain, the bank concludes that the Government has still not brought in enough supply-side measures to boost potential growth in the UK. Page 8

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BHP seeks majority stake in $1.13bn Chile copper project

BY GORDON CRAMB IN MELBOURNE

BROKEN HILL Proprietary (BHP), the Australian resources group, is in negotiations with Texaco of the U.S. aimed at securing majority ownership of La Escondida, a Chilean copper reserve that holds one of the worlds largest undeveloped deposits of the metal.

BHP and Texaco are currently equal partners in the project through their respective Utah International and Getty Oil subsidiaries. The U.S. oil major has, however, made clear its wish to divest itself of its holding, and has held talks with a number of potential bidders.

Mr Charles McArthur, Utah vice-president, told investment analysts in Melbourne yesterday that a consortium led by Utah was among those involved in discussions on the project, which, he said, would require an investment overall of about A$1.6bn (U.S.$1.13bn).

But Mr McArthur ruled out the possibility that Utah would acquire full control of Escondida. "A considerable part of the interest would need to be laid off," he said. "We would wish to avoid too big an investment in copper."

He indicated neither the maximum level of the BHP stake, nor which companies comprised the other members of the consortium. But local stockbrokers said after the briefing that they believed 60 per cent was BHP's target and that it was likely to enter any revised venture with foreign, rather than Australian partners.

Utah has an option to match any rival offer which is made for Escondida.

BHP's copper interests include a producing mine on Vancouver Island, Canada, as well as a 30 per cent stake in the troubled OK Tedi project in Papua New Guinea. Last Friday, the company announced that it was writing off its A$97.5m equity investment in OK Tedi after persistent delays in agreeing an exploitation programme with the Port Moresby government covering both the gold and the copper reserves there.

The copper sampled during the now completed Utah-Getty test programme at Escondida is of a high grade at least equivalent to that of OK Tedi. The Chilean discovery holds an estimated 545m tonnes of surface mineable reserves at an average copper grade of 2.16 per cent.

Escondida is said by BHP to have an annual earnings potential in the 1990s of as much as A$500m, even in the absence of any sharp recovery in world prices for the metal from their currently depressed levels.

According to Mr McArthur, the project represents the "most significant future source of earnings growth" for Utah, which BHP bought last year from General Electric of the U.S. The Utah division contributed A$140.5m to the Australian group's A$774.2m net profits in the year to May.

Botha rebuffs Tutu request for early talks

BY JIM JONES IN JOHANNESBURG

HOPES that early talks between the Right Reverend Desmond Tutu, the black Bishop of Johannesburg, and Mr P. W. Botha, the South African President, might ease the country's tensions have received a major setback.

A request yesterday by the Bishop for an urgent meeting to discuss the current unrest has been turned down by President Botha, who said he is too busy. He offered instead a meeting on August 19, when he is scheduled to hold talks with Anglican church leaders.

Observers pointed out that Mr Botha is finding time to meet a delegation of white businessmen this Thursday, represented by leaders of the Federated Chamber of Industries and the Association of Chambers of Commerce, to discuss the 10-day-old state of emergency.

Mr Botha's rebuff provoked an angry and exasperated response yesterday from Bishop Tutu. "I am not playing political games," he said. "Our situation is desperately serious and I had hopes for statesmanship from the state President and not scoring of political points."

The Bishop, regarded as one of the few black leaders still at liberty to whom the country's rebellious black youth might listen, said: "I have exhausted my own options... it is up to him, for I am still willing to talk with him. I hope that for the sake of our country he will realise that they (the Government) should grasp every opportunity."

Earlier yesterday, Bishop Tutu was reported by Reuter as calling for economic sanctions against South Africa and warning that the current unrest could turn to civil war unless something was done soon. In a television interview in the U.S., Bishop Tutu said that sanctions similar to the U.S. embargo on trade with Nicaragua would speed up the process of attaining racial equality.

The declaration on July 20 of a state of emergency in 36 of South Africa's magisterial districts has not quelled unrest despite the arrests of more than 1,200 black and white activists and schoolchildren. Three men lost their lives in disturbances over the weekend, according to police, and there was rioting during Sunday night in several areas falling under the emergency laws.

Later yesterday Mr Botha threatened to repatriate hundreds of thousands of black foreign workers if their governments continued to support international calls for sanctions. He said he had ordered a survey on the number of foreign workers "so that the Government can

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Promise of Uganda elections 'in year'

BY MARY ANNE FITZGERALD IN NAIROBI

GENERAL Tito Okello, 71, was officially declared Uganda's new leader yesterday and named chairman of a military council that will rule the country until general elections promised in a year's time.

General Okello told Ugandans he would deliver "a government on your side," and directed permanent secretaries to assume duties as acting ministers. The country's former leader, Dr Milton Obote, was overthrown in a coup last Saturday.

Mr Paul Ssemogerere, leader of the Democratic Party that opposed the former President's Uganda People's Congress, was in the audience at the 20-minute ceremony. No reference was made to Mr Yoweri Museveni, head of the National Resistance Army, whose forces are reported to control western Uganda. Mr Museveni's support for the new Government is seen as a crucial factor in any negotiations to restore security to the country.

In Kampala a dusk-to-dawn curfew remained in force and the country's borders are still closed.

General Okello has a reputation as a seasoned but somewhat inept military man. When former president Idi Amin engineered Dr Obote's first fall from power in 1971, General Okello was in charge of the 2nd infantry brigade at Masaka. Ignoring Mr Amin's summons to report to Kampala, he holed-up with 2,000 men in the barracks before being driven across the border to Tanzania.

The following year he led a bungled road invasion of 1,000 motley troops into Uganda. They were routed in two days. General Okello returned again to Uganda alongside

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Austria proposes tougher controls on wine

By Rupert Cornwell in Bonn

AN EMERGENCY session of the Austrian Cabinet yesterday approved stringent controls on the country's wine industry, in the wake of the devastating scandal surrounding the widespread use of diethylene glycol as an artificial sweetener to upgrade a wine's quality.

To date 16 people have been arrested in connection with the affair, and about 5m litres of wine – nearly 2 per cent of total annual output – impounded on suspicion that it has been contaminated with the chemical, a poison best known as an ingredient in car anti-freeze.

The measures are due to be incorporated in laws likely to be placed before a special session of the Vienna parliament at the end of August. Although they may be too late to salvage the immediate international reputation of Austrian wine, they will, if ratified, endow Austria with some of the strictest wine legislation in Europe. The planned steps include:

- A general ban on the adding of extra sugar to sweeten the higher quality wines which feature most prominently in exports.
- Cutbacks in maximum permissible yields per hectare.
- The introduction of more detailed labels of origin and, in the case of higher grade Qualitätswein and Prädikatswein, officially supervised numbering of individual bottles.
- A curb on bulk exports of quality wines. In future these will only be exported already bottled, to reduce the opportunity for doctoring.

The underlying aim of the measures is to safeguard the reputation of the national wine industry which, directly and indirectly, provides employment for 250,000 people, by a system analogous to the "Appelation Controlée" legislation in France.

After the Cabinet session, Chancellor Fred Sinowatz expressed his public confidence in Herr Günter Haiden, the Agriculture Minister, whose resignation had been demanded by the conservative opposition ÖVP party, on the grounds that he did not react quickly enough

Despite yesterday's action, mystery still remains over how long the practice of adding diethylene glycol has been going on.

The Vienna authorities claim they were first notified only in late 1984. But West German investigators have unearthed evidence pointing to the use of the chemical in 1981 and 1982, although no-one has yet been conclusively shown to have fallen seriously ill – still less died – from regular drinking of contaminated wine.

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EUROPEAN NEWS

Brussels poll finds split on N-power

By Ivo Dawnay in Brussels

PUBLIC OPINION on the advantages and risks of nuclear energy is polarising, according to a poll published yesterday by the European Commission.

But despite the Europe-wide campaign against nuclear power stations, there has only been a minor shift in opinion away from the energy source.

The new figures, compiled after interviews with 9,900 Community citizens in October last year, divide into 43 per cent guaging nuclear energy "worthwhile" from 38 per cent regarding the process as presenting "unacceptable dangers."

In 1978, the poll found 44 per cent in support of nuclear power, with 36 per cent against. The high point of disaffection with the nuclear industry came in 1982 when, while 10 per cent expressed no interest in the subject, 38 per cent judged it worthwhile – just 1 percentage point more than those opposed.

The latest poll shows those without an opinion declining to 7 per cent, though 12 per cent failed to reply to the question. Commenting on the findings, the European Commission noted that one in three questioned regarded environmental protection as the most important factor in the consideration of energy sources.

Anti-terrorist plans pledged

MADRID – Spain and the U.S. have agreed to step up their joint efforts against terrorism and drug abuse.

The pledges came after talks between top Spanish officials and Mr Edwin Meese, the U.S. Attorney General.

Talks between Mr Meese, who arrived in Madrid on Sunday, and Sr Jose Barrionuevo, the Interior Minister, were said to have focussed on the extradition of drug-traffickers to the U.S.

The U.S. consulate general in Madrid recently urged a court to expedite the extradition of two Colombians accused of cocaine trafficking, a move which prompted accusations of interference in the Spanish judicial system from some legal quarters. Efe

Portugal's PSD chooses line-up

LISBON – The Social Democratic Party (PSD), Portugal's second largest, has chosen its line-up for the October parliamentary elections after much infighting.

Sr Anibal Cavaco Silva, the new leader, said that a weekend meeting of the PSD national committee in Oporto had demonstrated the party's "great maturity."

At one time it looked as if former Prime Minister and party founder Sr Francisco Pinto Balsemao would be left out but finally, at Sr Cavaco Silva's invitation, he was placed second to the leader in the list of candidates for Lisbon.

Sr Joao Salgueiro, the former Finance Minister refused an invitation to stand, however, reflecting persistent party divisions.

Cyprus Finance Minister quits

MR CONSTANTINOS KITTIS, the Finance Minister of Cyprus since January, resigned yesterday, citing personal and professional reasons. A Government spokesman said President Spyros Kyprianou had accepted his resignation and planned a partial reshuffle of his Cabinet by the end of this week.

President Kyprianou asked Mr Michael Michaelides Commerce and Industry Minister, to take over the finance ministry temporarily.

Mr Kittis, 47, said he was resigning because of press criticism over his running of a management consultancy office which he set up before he became minister.

HELSINKI AGREEMENT CONFERENCE

Shevardnadze highlights accord's spirit of detente

Mr EDUARD SHEVARDNADZE, the new Soviet Foreign Minister, yesterday ignored criticism by the West of the Soviet Union's human rights records and praised the spirit of East-West detente underlying the Helsinki Agreement on security and co-operation in Europe, writes Robert Mauthner, Diplomatic Correspondent in Helsinki.

Mr Shevardnadze, who was one of the first of 35 foreign ministers from East and West to arrive in the Finnish capital for the 10th anniversary celebrations of the signature of the Agreement, is making his debut on the international stage here. He succeeded Mr Andrei Gromyko as Soviet Foreign Minister only four weeks ago.

While Western Governments have been disappointed in the Soviet Union's failure to respect some of the key human rights provisions of the Final Act of the Helsinki Agreement, Mr Shevardnadze described it in an arrival statement as "an historic document, which has lived up to its purpose."

"It remains a good foundation for the development of mutual understanding and co-operation in Europe, and not only in Europe," he said.

"We are convinced that the current tense situation in the world calls for joint efforts aimed at radically improving the political climate in Europe and in international relations as a whole."

The main interest of the next three days when every representative of the 35 signatories is due to make a declaration, will lie more in the bilateral meetings on the sidelines than in the official proceedings.

Mr Shevardnadze will meet Mr George Shultz, the U.S. Secretary of State, for bilateral discussions on Wednesday and he will also meet Sir Geoffrey Howe, the British Foreign Secretary, and other Western foreign ministers during the next few days.

The U.S. is hoping to gain an insight into the thinking of Mr Mikhail Gorbachev, ahead of the Soviet leader's summit meeting with U.S. President Ronald Reagan in Geneva in November.

The present stalemate in the Geneva nuclear arms control negotiations between the U.S. and the Soviet Union is expected to be one of the top items on the agenda of the Shultz-Shevardnadze meeting. The tense situation in the Middle East and Afghanistan is also expected to figure prominently in their talks.

While Mr Shevardnadze was extolling the virtues of the Helsinki Agreement, Pravda, the Soviet Communist Party newspaper, accused the West of "distorting" the Soviet Union's interpretation of the agreement's human rights provisions.

Mr Yuri Zhukov, one of the paper's main political analysts, referred to the "cheap and hypocritical rumpus" in the U.S. and some Western European countries over the alleged non-observance of the Helsinki Final Act.

"All they want is to use the Helsinki Accords as a pretext for interference in the internal affairs of countries whose political systems they want to undermine," he wrote.

Kevin Done savours the scent of birch and heated rocks as he investigates a Finnish tradition

Finland stokes up for three days of sauna diplomacy

ON A visit to Finland a few weeks ago, Mr Shintaro Abe, the Japanese Foreign Minister, was pictured naked on the front page of one of Helsinki's most respected daily newspapers. His colleague and host, Mr Paavo Väyrynen, the Finnish Foreign Minister, also featured. They sat smiling and chatting, their modesty preserved only by a few bunches of leafy birch twigs.

A similar fate may well await Mr George Shultz, the U.S. Secretary of State, Mr Eduard Shevardnadze, the Soviet Foreign Minister and the rest of the 35 foreign ministers gathered in Finland this week for the tenth anniversary of the signing of the Helsinki accord—if attendant press photographers can break through the security checks.

The Finns are certainly not averse to using their national institution as a means to an end either in diplomacy or business. The sauna, they claim, is a great leveller.

Finnish industrialists and politicians are well-known for taking their adversaries to the sauna. As the Finnish Sauna Society explains: "Hostility melts in the steam as birch whiks swish, and stubborn minds begin to accept compromise. Rank and protocol are shed in the dressing room along with one's clothes. It is hard to maintain pompous dignity without clothes."

It was in the sauna that the former Finnish President Mr Urho Kekkonen reputedly cleared the way with the Soviet leader, Mr Nikita Kruschev, for Finland to join Efta, the European Free Trade Area.

Mr Kekkonen was equally ready to use the sauna weapon agains the West. Mr Dean Rusk, a former U.S. Secretary of State, expressly ruled out a sauna visit before visiting Helsinki, being ignorant of the institution and believing it was better left alone.

However, Mr Kekkonen was nothing if not persistent. After official talks at his home in Helsinki, he led an unsuspecting Mr Rusk through the grounds to a hut beside the water. Mr Kekkonen removed his jacket and tie and the American followed suit, according to one of the participants, Mr Max Jacobson a former Finnish ambassador to the United Nations.

When the Finnish President began to take off his shirt, it dawned on Mr Rusk what was in store for him. He gamely followed Mr Kekkonen's example, pausing only to point a finger at the accompanying U.S. ambassador and bark: "You're fired!"

Wherever Finns go, their saunas go with them. Finnish troops serving with the UN peacekeeping forces insist that one of their first priorities on arrival is to erect a tent sauna, whether the location is the cool mountains of Cyprus or the baking valleys of Lebanon. During their two wars with the Soviet Union, during the Second World War, Finnish troops even built saunas at the front line along with more normal fortifications.

Heated foreign relations: Mr Paavo Väyrynen and Mr Shintaro Abe sport carefully-positioned birch leaves during their public sauna

At home, Finns go to great lengths to assure visitors that for them the sauna is not the sort of institution found in red light districts around the world. "A Finnish sauna is a place where you wash and relax, it is not a 'massage parlour'," says the Helsinki Tourist Guides Association in its "Helsinki Today" guidebook.

Given that there are about 1.2m saunas in Finland and only 4.9m Finns, that would otherwise make an awful lot of massage parlours. Finland is no doubt the only country in the world where the sauna outnumbers the car; and it is constantly seeking to spread the gospel abroad.

However, enough foreigners appear to be convinced of the pleasures of sweating in small dark rooms at temperatures of about 100°C (212°F) to allow the sauna to make a useful contribution to the Finnish trade balance. Exports of sauna ovens and sauna cabins totalled about FMk 32m (£3.8m) last year; and about 110,000 sauna ovens, both electric and wood-heated, are produced every year.

The sauna has played a central role in Finnish life for centuries. Many Finns now aged more than 60 years were actually born in a sauna. In the days when most babies were born at home, the sauna was the most suitable and hygienic place. It was also the place where the old were taken to die.

In the last two generations, the sauna has moved along with the most of the population from the countryside to the towns, but the bathroom sauna in a Helsinki flat and the ancient Finnish smoke sauna or savusauna still have in common the heated rocks and the sweat.

Saunas are found in most Finnish homes; but the most idyllic are those built beside cottages at the lakeside with a jetty leading straight to the water for a cooling swim. In the depths of winter a hole can be cut in the ice if a roll in the snow does not suffice.

The sweating process is speeded up by beating yourself with a vihta, a bundle of leafy birch twigs bound into a whisk or switch. The birch twigs are cut in full leaf during the sumer and then either dried with salt or kept in the freezer for use during the long winter months.

Onesauna book is good enough to admit, however: "The over-vigorous use of the whisk and the roll in the snow are aspects of the ritual urged on the unsuspecting foreigner but not always practised so devoitly by Finns themselves."

Heating the sauna can take many hours in mid-winter, the smoke from the birch-wood fire swirling thick and black straight into the sauna room before escaping in billowing clouds beneath the eaves. The walls and ceiling are left black and sooted, but the benches are scrubbed clean.

The sauna has also been the subject of exhausting scientific and medical study. Learned papers have been written on "The sauna as a psychic purgative," and on the use of the sauna in treating heart, circulatory and respiratory diseases.

Rats have also had to take saunas in the cause of medical science as part of studies on the negative effects of sauna bathing. The title of one paper given at an international sauna congress in Helsinki some years ago was "Sudden death during and after the sauna."

However, that is one topic most Finnish guide books steer clear of. They prefer another message: "Sauna is an unescapable part of Finnish life. It costs next to nothing and brings the joy back to living."

Baltic flags fly after 45-year absence

By Kevin Done, Nordic Correspondent

FOR THE first time since 1940 the flags of the Baltic states of Estonia, Latvia and Lithuania were flying again in the streets of Helsinki, the Finnish capital, at the weekend.

The national anthems of the three countries were also heard again after a break of decades as demonstrators marched through the city protesting against the Soviet Union's annexation of the Baltic states in 1940 chanting the slogan "Njet, Njet Soviet."

In many West European capitals such a demonstration might arouse little attention—but not in Helsinki. Vocal protests against the Soviet Union have no place on the usual agenda in Finland, and hardly since the 1968 Warsaw Pact invasion of Czechoslovakia have such anti-Soviet sentiments been heard in the city.

For several days, however, the actions of a few hundred exiles from Estonia, Latvia and Lithuania have been sending decided ripples around the Baltic Sea with their Baltic Peace and Freedom Cruise coming under heavy verbal attack from Moscow.

The visit to Helsinki by the Baltic Star cruise ship on the eve of this week's tenth anniversary of the signing of the Helsinki accord, in the presence of 35 foreign ministers including Mr George Shultz, U.S. Secretary of State, and Mr Eduard Shevardnadze from the Soviet Union, has provided a sensitive test for the Finnish Government.

Throughout the post-war period it has built its foreign policy of neutrality around establishing a relationship of confidence and trust with its Eastern superpower neighbour.

For days the Soviet news agency Tass has been attacking both the cruise and the international Baltic Tribunal which preceded it in Copenhagen as a conspiracy backed by the CIA.

Some 360 members of the peace cruise including the Soviet dissident and author, Mr Vladimir Bukovski agreed to steer their Helsinki demonstration away from passing the Soviet Embassy.

The peace cruise with its wide-ranging call for the recognition of human rights in the Baltic states, for an implementation of the Helsinki accords and for a right to national self determination, is probably only a punctuation mark in this week's Helsinki meetings.

But it has focused a new light on human rights abuses in the Soviet Union at a sensitive moment and briefly at least it has put Estonia, Latvia and Lithuania back on the European political map. At the same time it has allowed Helsinki to win some points in the West for allowing the demonstration to take place at all.

Foreign funds inflow boosts Irish external reserves by 50%

BY OUR DUBLIN CORRESPONDENT

SUBSTANTIAL FLOWS of foreign funds into the Irish Republic in the first half of the year boosted the external reserves by 50 per cent and enabled the Government asily to fund its domestic borrowing requirements, according to the quarterly report from the country's Central Bank.

The situation is a complete reversal of the one in recent years when capital outflows became a major problem. High Irish interest rates, combined with a belief that the Irish punt will remain stable within the European Monetary System is being given as the reason for the sudden inflows.

Foreign purchasers of Government securities amounted tto almost I£300m (£250m) in the first half of the year. Non-resident deposits in Irish banks also rose by more than I£200m in the same period.

At the same time, the Central Bank calculates that only I£34m left the country in private capital outflows in the five months to May, compared with I£518m in the whole of 1984.

Irish interest rates have fallen by more than 2 per cent since the beginning of the year as a result of the inflow, and the Irish pound has been the strongest currency in the EMS for several months.

The Irish authorities must now cope, however, with the problem of having such substantial amounts of volatile capital in the system.

Turkey's budget deficit falls in first six months

BY DAVID BARCHARD IN ANKARA

TURKEY had a budget deficit of $462m during the first half of the year, according to the of the year according to Mr Azhmet Kurtcebe Alptemocin, the Finance Minister.

He said the budget deficit was now only 9 per cent of total budget expenditures compared to nearly 12 per cent in 1984.

Last year's budget deficit was estimated by the International Monetary Fund to be close to 5 per cent of GDP.

The Government has pledged to bring the deficit down below 2 per cent of GDP this year. Mr Alptemocin said that budget revenues had risen by 57 per cent in the January to June period, while tax revenues were up by 48 per cent.

Terrorists kill Spanish vice-admiral

By David White in Madrid

TERRORISTS murdered a Spanish vice-admiral in Madrid yesterday. Vice-Admiral Fausto Escrigas was the 50th senior armed forces officer to die violently since the Basque separatist organisation Eta killed Admiral Luis Carrero Blanco, Prime Minister under Gen Franco, in an explosion 12 years ago.

Vice-Admiral Escrigas, who was director for defence policy at the Ministry of Defence, was riddled with bullets when his car was intercepted on his way to work. His driver was critically wounded in the attack.

Police later de-activated an explosive device in a car used by the gunman, which was abandoned nearby. The attack was a repeat of the murder of an army colonel and his driver in Madrid last month, when a member of a bomb disposal squad was subsequently killed by a booby-trap device in the getaway car.

Officials said the shooting, which was not immediately claimed, bore all the hallmarks of Eta. Road exits from Madrid, railway stations and airport terminals were being tightly controlled yesterday in the search for the terrorists.

The attack brought the number of victims attributed to Eta this year to 22.

Sr Narcis Serra, Defence Minister, described the killing as "a personal blow." Vice-Admiral Escrigas, 59, was appointed to his Ministry post by the Socialist Government last year.

Polish propaganda review urged

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S official public opinion researcher has urged a radical change in propaganda methods to defuse the threat posed by the continuing high level of criticism aimed at the Government's record.

Colonel Stanislaw Kwiatkowski, writing in the latest issue of the Polityka weekly, revealed that 64 per cent of the population admitted seeing little hope that the Government's policies would provide a cure for the country's economic difficulties.

The number of people who felt that the Government's policies were adequate to avoid another outbreak of open discontent fell from 26 per cent before Christmas to 23 per cent.

Colonel Kwiatkowski said rising prices were the most frequent cause of discontent mentioned by 71 per cent of those questioned while 53 per cent mentioned shortages in the shops.

The colonel, who before his appointment to head the government's research unit was an adviser to General Wojciech Jaruzelski, the country's military leader, said officials tended to dismiss criticism of their policies as immaterial and some paid scant attention to survey results.

Nevertheless he argued that official propaganda should air problems before trying to persuade people that something was being done to solve them.

This approach runs counter to the deepest instincts of the powerful conservative bureaucracy which reacts strongly if the media vents grievances too thoroughly. Similar policies have also in the past given grounds for concern about Poland's "socialist reliability" elsewhere in Eastern Europe.

Colonel Kwiatkowski, however, has found an ally in Mr Miroslaw Wojciechowski, head of radio and television, who last Friday admitted in an article that the present propaganada style was ineffective.

Trial poses problem for Craxi

BY ALAN FRIEDMAN IN MILAN

NEARLY ALL of Italy's political parties have criticised as political interference in the judiciary a call by Socialist and Radical party leaders for an investigation into the Naples trial of Euro-MP Sig Enzo Tortora.

Sig Tortora, a former television promoter who was elected a Strasbourg Deputy for the Radical Party last year, is accused of collusion with the Camorra, the Neopolitan version of the Mafia.

Sig Claudio Martelli, vice-secretary of the Socialist Party, and Prime Minister Bettino Craxi's right-hand man, has caused a political storm by joining forces with Sig Marco Pannella, leader of the tiny far left Radical Party, to call for a parliamentary inquiry into the Tortora trial and the Camorra.

This comes as the judges prepare to rule on a state prosecutor's request that Sig Tortora be given a 13-year prison sentence.

The Christian Democrats, Communists, Republicans and Liberals have all united in their condemnation of what is seen as an attempt at political interference with Italy's judiciary. Even Sig Craxi's own Justice Minister, Sig Mino Martinazzoli, has said that "interferences of this type can only have negative consequences."

Italy's magistrates have reacted to the Socialist-Radical initiative by calling it "an offensive against the judiciary."

The controversy deepened at this weekend when it was learned that Prime Minister Craxi had agreed to deceive Sig Martelli and Sig Pannella to hear their case for an inquiry.

Sig Francesco Cossiga, Italy's newly installed President, has already received the two politicians, but listened in silence and made no comment afterwards.

An aide to Sig Craxi said yesterday that the Prime Minister would do the same and would not issue any opinion. The impression left was that Prime Minister Craxi was seeking to distance himself from his deputy's initiative.

But suspicions about the possible motive for this strange alliance between Sig Craxi's key lieutenant and the Radical Party leader are still growing. It was noted by several political commenators that it would be unusual for Sig Martelli to take an initiative without at least consulting his boss, Sig Craxi.

Ural officials attacked over grain output

By Our Moscow Correspondent

ONE OF the Soviet Union's most crucial grain-producing regions, Orenburg in the southern Urals, has come in for sharp criticism for failing to meet plan targets by extraordinarily large margins.

Mr Viktor Nikonov, the Communist Party Central Committee Secretary responsible for Agriculture, attended a party meeting in the region to call for a rapid improvement, Pravda reported yesterday.

The party daily disclosed that, despite capital investments of £3.7bn over the past ten years, the region's collective and state farms had consistently slipped well below target.

In 1983, Orenburg farmers were able to provide the state wih just seven per cent of the planned amount of wheat, the region's staple crop, it said.

Mr Nikonov, appointed by Soviet leader Mikhail Gorbachev in April, reserved tough words for the Orenburg party chief, Mr Anatoly Baladin and his deputy for agricultural matters.

He accused the officials of displaying indifference towards grain production and attempting to shift the blame when thinks went wrong.

The U.S. Department of Agriculture (USDA) has revised its estimate for this year's Soviet grain harvest by 5m tonnes to 190m, attributing the change to hot and dry weather in the wheat regions of the south.

David Barchard reports on the difficulties Ankara faces in relinquishing control of state-owned companies

Turkey makes first moves in its masterplan for privatisation

Turkey's privatisation scheme has attracted widespread international interest and offers of technical help from countries as far afield as Japan. But the country's own candidates for privatisation remain cautious and critical of the Government's strategy.

IT HAS taken many weeks for the Turkish Government to select a foreign adviser to draw up a masterplan for privatising some of Turkey's state economic enterprises (SEEs).

In the event, Morgan Guaranty the Wall Street firm triumphed over seven other foreign concerns to win the main contract, whose external financing cost of about $2.5m (£1.77m) is to be met by the World Bank.

Three other concerns have won contracts for specific sectors. The Boston Consultancy Group will study means or privatising textiles. Sema Metra of France will review ways or privatising state owned cement plants. Arthur D. Little will handle plans for privatising the fertiliser sector. Separately Lazard Freres of New York recently submitted a draft report on proposals to privatise the national airline, Turkish Airlines.

The delays in awarding the contracts—representatives or banks and finance houses first appeared in Ankara last April—becomes understandable when the complexity of the state sector is understood.

Turkey's state economic enterprises present a vast and confusing picture. One or two date back to late Ottoman times, but the major enterprises were set up in the 1930s under Kemal Ataturk's drive for industrialisation. Private capital was not forthcoming and a number of state agencies were created to handle manufacturing in textiles, ceramics, glass, iron and steel and similar basic industries.

They have been succeeded at regular intervals by new enterprises extending in recent years to electronics, machine tools, tyres, and even aircraft manufacture.

The public sector accounts for more than 60 per cent of fixed investment and about 35 per cent of output and employment in Turkey.

About half of food, beverages, and around 40 per cent of paper, printing, and basic metal production lies in the hands of the state.

The SEE's, because their prices were fixed by the Government, made huge losses until Mr Turout Ozal, the Prime Minister's reforms began in 1980, contributing to Turkey's chronic inflation. Since 1980, most have made operating profits and last year they are thought to have notched up a total profit of $590m, but their chaotic structure and continual management problems have troubled successive governments.

The head of the textile agency, Sumerbank, is believed to have suggested to the Ozal Government on his appointment that the organisation be run along normal commercial lines for a few years before any attempt was made at privatisation, to see how much it would improve.

Turkish Airlines was selected a year ago as the first target for privatisation. The original plan was to split it into two competing companies. Now plans are afoot to sell some shares to employees before the end of the year, though those in the know say that Lazard's report offered little encouragement to the Government.

Mr Vahit Erdam, the mild mannered civil servant in charge of privatisation says that the Government plans to sell shares first to employees, then to the general public, and finally to local and foreign firms if they are interested.

Privatising the fertiliser industry would involve selling off the Azot Sanayii Corporation and perhaps hiving off distribution activities of the agricultural supply organisation. The Sumerbank is a single agency but it has many plants. Not all are attractive to the private sector.

An Istanbul businessman says wrily "No one in his right mind would want to buy the Sumerbank, especially when capital is so scarce in Turkey." Similar considerations seem to have affected the sale of Turkish Airlines.

The privatisation programme has attracted widespread international interest and offers of technical help from countries as far afield as Japan.

However, the private sector remains somewhat cautious. This week an article in the influential economic daily Dunya, by its main columnist Tevfik Gungor Uras pointed out that the revenue sharing schemes for the Bosporus bridge and Keban announced so far are simply borrowing by the Treasury and have no real parallel with the privatisation of British Telecom.

"If the Government wants to privatise a state economic agency, then it has to sell the shares of that organisation at market price. Stop fixing prices for it, and leave whoever buys the shares to face up to the organisation's profit and loss, Güngör wrote.

This may sound obvious, but it is still some way over the horizon for Turkey's candidates for privatisation.

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Zimbabwe budget set to raise price of food and petrol

BY TONY HAWKINS IN HARARE

INCREASED food and petrol prices are likely to be announced in today's 1985 Zimbabwe budget to be presented by Mr Bernard Chidzero, Finance Minister.

In spite of the strong economic recovery that has taken place over the past nine months, Dr Chidzero will have little room for manoeuvre in his budget since it is imperative to curb the deficit to secure a standby agreement with the IMF.

A year ago, he forecast a budget deficit of Z$648m (£305m), but since then supplementary expenditure estimates totalling Z$170m have been tabled taking the notional deficit for the year to some Z$818m—or 12 per cent of estimated gross domestic product.

Underspending and revenue growth attributable to the economic recovery may have brought the deficit close to Z$600m which is still 10 per cent of GDP and too high for comfort.

In the 1985-86 fiscal year, the Finance Minister will have to provide for the recent 15 per cent pay rise in the public sector. This and double-digit inflation will ensure continued rapid growth in public expenditure.

Efforts to keep the growth in check are likely to include increased food prices—the state-owned Agricultural Marketing Authority is running a deficit of Z$10m monthly.

The state-owned oil procurement authority is also losing money and a sharp increase in petrol prices is forecast.

Dr Chidzero may also have to retain the special levy on personal and corporate income tax imposed last year, but he may effectively reduce family taxation by allowing husbands and wives to be assessed separately.

Modest increases in some indirect taxes and in fees charged for government services are also thought possible to keep the deficit in check.

The joker in the Minister's pack will be the cost of Zimbabwe's military operations in neighbouring Mozambique.

This military deployment could rise to 10,000 troops by the year end and the Government may find it necessary substantially to increase the defence vote which last year totalled Z$378m accounting for 11.5 per cent of the budget.

Bazargan rejected as presidential candidate

By Kathleen Evans in Dubai

IRAN'S Guardians Council, the country's supreme religious and legislative body, announced yesterday that there would be only three candidates for next month's presidential election.

About 50 people had applied to join the presidential race, submitting their names to the council to be assessed for religious purity and commitment to the Islamic republic. Among the rejected candidates was Dr Mehdi Bazargan, leader of Iran's Freedom Movement and a known moderate.

The three remaining candidates are the incumbent, President Hoj Ali Khamenei, Mr Habibollah Asgarowladi and Mr Mustapha Kashani. The latter two names do not appear to represent much competition to President Ali Khamenei.

Mr Asgarowladi is the former commerce minister who was forced to resign following condemnation in the country's parliament. He failed to win a seat in the last general election despite support from bazaari interests. Mr Kashani is French-educated conservative, and the son of a famous ayatollah.

Observers in Tehran believe that Dr Bazargan may have been rejected because he was considered pro-Western and insufficiently committed to the Islamic constitution. As the only peace candidate, his inclusion would have stimulated considerable interest from outside, which might have proved damaging internally.

Some observers are speculating that the Iraqis may resume bombing of Iranian cities during the election campaign, now that the only peace candidate has been eliminated from the race.

In an unrelated development, Saudi Arabia appeared to have backed down from a confrontation with Iran over the number of Iranian pilgrims who would have been allowed to perform the Hajj (Islamic pilgrimage), this year.

Prince Saud al Feisel, the Saudi Foreign Minister, yesterday conveyed a message to the Iranian authorities that it was willing to allow 150,000 pilgrims to travel to the kingdom next month, rather than the 100,000 agreed earlier.

Two days ago, the Iranians dispatched 15 aircraft of pilgrims to Saudi Arabia, and the last two were refused landing rights. Yesterday Hoj Khatemi, Islamic Guidance Minister, condemned the move as "anti-Islamic" and ordered a cancellation of all Hajj traffic.

Syria seeks political realignment in Lebanon

BY NORA BOUSTANY IN BEIRUT AND LOUIS FARES IN DAMASCUS

SYRIA is making moves aimed at a new political settlement in Lebanon through the formation of a "National Alliance Front" composed of key Moslem leaders and Christian politicians sympathetic to its designs and antagonistic to the Phalange Party, the main Maronite Christian group.

Integral to these plans is the reconciliation at the weekend between Amal, the mainstream Shi'ite Moslem movement, and the mainly Druze Moslem Progressive Socialist Party. Agreement between their two respective leaders, Mr Nabih Berri and Mr Walid Jumblatt was reached on Sunday at Mukhtara, the Druze stronghold in the Chouf mountains.

It followed the two-month-long rift over the Amal's bloody siege of the Palestinian refugee camps of Sabra, Chatila and Bourj Barajneh on Beirut's southern outskirts. Basic to the new entente is a common position towards the Palestinian presence in Lebanon and opposition to the build up of the guerrilla strength of the mainstream Palestine Liberation Organisation led by Mr Yassir Arafat.

Mr Berri and Mr Jumblatt yesterday conferred with Mr Abdul-Halim Khaddam, the Syrian Vice-President, who is mainly responsible for handling relations with Lebanon and its political groups.

In another meeting yesterday President Assad talked with Mr Suleiman Franjieh, the Maronite Christian President from 1970 to 1976: Mr Franjieh, a critic of President Amin Gemayel, the head of state since 1982 and the Phalange Party, yesterday praised Syrian efforts to restore stability in Lebanon.

President Assad reiterrated his Government's "determination to achieve national entente in Lebanon and help this brother country facing all the plots against its stability by Arab capitulationists," according to official Syrian Arab News Agency.

The formation of the National Alliance Front is expected to be formally announced at Chtoura on August 6.

The Amal-PSP rapprochement coincides with a rise in tension in the southern port city of Sidon between Palestinian guerillas loyal to Mr Arafat and pro-Syrian rivals.

● Israeli Kfir jets bombed a suspected base for a Syrian-backed Palestinian guerrilla group in the Bekaa Valley yesterday causing a huge fire and scores of casualties, according to a Syrian military spokesman.

Palestinian refugees cling to ruins of life

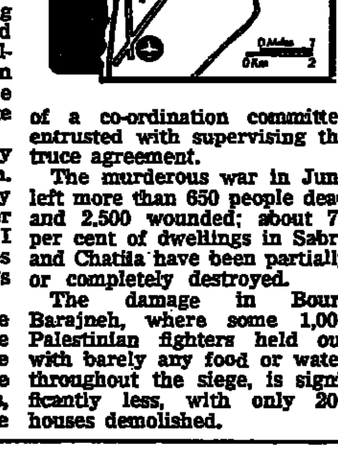
BY NORA BOUSTANY IN BEIRUT

LUTFIYEH HUSSEIN, a mother of 11 children, is doggedly holding on to a house with no facade, shaky walls and a caved-in roof. She insists that her family will stay there regardless of the risks until someone gives them another home.

Hers is one of hundreds of Palestinian families living in the ruins of Beirut's refugee camps of Sabra, Chatila and Bourj Barajneh, which were ravaged in the month-long battle between Shi'ite militiamen and Palestinian fighters. They are faced with choosing between having the crumbled remains of their homes bulldozed by a team of Syrian engineers, homelessness or the hazards of living in inadequate housing.

"Where shall I go with my children?" asked Mrs Hussein. "If they want to repair my house, I will stay in a corner until they have finished but I will not leave. If it collapses over our heads, it wil be God's will."

Distrust persists among the Palestinian residents of the shanty towns and troops of the Lebanese Army's sixth brigade who guard the entrances, despite the watchful gaze of a co-ordination committee entrusted with supervising the truce agreement.



The murderous war in June left more than 650 people dead and 2,500 wounded; about 70 per cent of dwellings in Sabra and Chatila have been partially or completely destroyed.

The damage in Bourj Barajneh, where some 1,000 Palestinian fighters held out with barely any food or water throughout the siege, is significantly less, with only 200 houses demolished.

Many Palestinian families, living in the shattered remains of their modest homes, insist they will be safer if they stick together. Libya has already donated L£1m (£45,600), the first instalment of a promised L£50m for the reconstruction of the camps.

The Syrian public sector Jebel Qassioun construction company has cleared 60,000 cu metres of an estimated 100,000 cu metres of rubble in the three camps. The company estimates that about $2.5m (£1.8m) is needed to rebuild the camps.

Reconstruction has not yet started, but Syria has already donated 50,000 tons of cement. Although a survey team is due to arrive soon to plan repairs and rebuilding, the Palestinian residents are reluctant to part with what remains of their modest cement houses. They say they have no guarantees their homes will be rebuilt.

A modest dispensary has been set up near the Chatila mosque by one of the two doctors who stayed behind during the siege to tend to the wounded. The doctor, who did not wish to be named, said he had chosen the mosque as a relief centre in the first few days of the siege thinking that Moslem fighters would not attack a place of worship.

"The mosque became so dangerous that our only worry was to leave and how to leave. The streets leading to it were blocked with debris and there was so much sniping that we had to break down the walls and dig a tunnel leading to nearby buildings. Even with that precaution, they managed to injure five of my 30 patients, already suffering from nasty wounds," he said.

A curious debate has started over the reconstruction of the camps. Syria has offered 50,000 tons of cement and the Syrian Jabal Qassioun engineering company has already cleared 3,600 cubic metres of rubble in the three camps.

Mr Chafic Sardouk, the head of Beirut's municipal council, however, has said that no political decision for the reconstruction of the camps has been taken, and that the Syrian bulldozers will do no more than clear the rubble.

Mr Sardouk said most of the buildings destroyed during the Palestinian-Shi'ite battles were located over areas designated as new roads under a renovation scheme. "The renovation has the objective of giving the region an image of civility and civilisation," he said in a published statement.

The reaction from the camps has been one of bitterness and dismay. The Palestinians say plans for rebuilding Sabra, Chatila and Bourj Barrajneh were part of decisions taken in Damascus and that they were necessary to reduce the problem of displaced persons around the city. "We are surprised to hear of civilised images over the ruins of our homes and the corpses of our martyrs."

The row is only one example of the deep suspicions that persist between the Lebanese and the Palestinians. While a Syrian security plan for Beirut that will be reinforced under the supervision of observers is awaited from Damascus, some Moslem leaders have expressed concern that friction with Arafat supporters could spill over to the southern port city of Sidon.

Despite the heavy losses suffered by Palestinian civilians in Beirut, Mr Arafat, who has gained in popularity and prestige in the Arab world as a result of the camp war, is hoping to multiply his victory at the expense of Syrian efforts to pacify Lebanon.

China records first half budget surplus

By Robert Thomson in Peking

CHINA'S MINISTRY of Finance has reported a surplus in the state's budget for the first half of this year. The surplus was achieved in spite of excessive capital investment and sustained Government criticism of administrative overspending.

Wang Bingqian, Finance Minister, admitted the result was better than expected. He attributed the 11.6bn yuan surplus (£2.88bn) to unexpectedly high revenue and unexpectedly low expenditure.

Expenditure was reported at 69.76bn yuan, a 15 per cent increase on the corresponding period last year. Revenue was said to be 81.36bn yuan, a 25.9 per cent increase.

Among the problems listed by Wang were excessive increases in investments on capital construction projects and consumption funds. "They must be tackled in the latter half of the year," he said.

The Chinese Government had budgeted for a deficit of 3bn yuan for the whole of 1985.

Last week, the People's Daily listed the amounts each province had overspent and urged provincial leaders to take a tighter budget line. Bans have already been imposed on administrative purchases of goods ranging from cars to sofas.

● A report that Communist Party General Secretary Hu Yaobang will be replaced by his protege, Hu Qili, in September is groundless, the Chinese Foreign Ministry said yesterday. AP-DJ reports from Peking.

Hu Qili, 55, a member of the party secretariat, has been given an increasingly prominent role in recent months

China trade, Page 28

Philippines to draw on IMF standby loan

By Samuel Senoren in Manila

THE PHILIPPINES will draw on the second tranche of its SDR 615m (£443m) standby arrangement with the International Monetary Fund this week, Prime Minister Cesar Virata said yesterday.

The second tranche amounts to the equivalent of about $107m (£76m).

Mr Virata said the IMF cleared the drawdown after the Philippines complied with economic performance targets

The rate of inflation was 27.6 per cent in June and Mr Virata said a balance of payments surplus was achieved during the first four months of 1985. The level of foreign reserves rose to more than $1bn early this month.

The IMF credit will trigger the release of $400m, the first tranche of the $925m new money provided by international banks.

Along with the new money is the reactivation of a $3bn revolving credit facility from banks which Mr Virata expects to be available by the middle of August.

The Philippines signed yesterday with the U.S. an agreement to restructure some $270m in official loans maturing in 1985 and 1986.

● U.S. Ambassador to the Philippines, Stephen Bosworth denied yesterday that U.S. military advisers were helping the Philippines' anti-insurgency campaign

"We do not have troops here acting as advisers, we do not have troops here training the armed forces of the Philippines . . . because there is clearly no need for such a role by American military personnel in this country," Mr Bosworth said.

Israel appoints team to study death penalty

By David Lennon in Tel Aviv

THE ISRAELI Cabinet yesterday appointed a team of ministers headed by Mr Yitzhak Rabin, the Defence Minister, to examine the advisability of imposing death sentences on terrorists found guilty of murder.

Demands for the death penalty for terrorist murders were made in the Cabinet in the wake of the killing last week of two Israeli teachers by three Palestinians from the occupied West Bank.

A Cabinet communique said that it had been decided to examine ways of punishing terrorists and intensifying the operations of the security forces.

The team of ministers will recommend legal ways "to change the punishment" for those found guilty of terrorism. The full Cabinet will discuss the recommendations at its meeting next week the communique stated.

Other measures being considered by the Cabinet are deportation or administrative detention for terrorists and those suspected of incitement of terrorism.

The Cabinet is divided over the issue of imposing capital punishment on Arab guerrillas. Some ministers believe it will serve as a deterrent; others fear it will lead to the guerrillas retaliating by killing any Israeli they take prisoner.

Rajasthan MPs protest at Punjab settlement

BY K. K. SHARMA IN NEW DELHI

THE GOVERNING Congress-I party in the Indian state of Rajasthan was challenged by Opposition parties in the state legislature yesterday when they moved a motion of no-confidence on the grounds that the state's Chief Minister had failed to protect Rajasthan's interests in the agreement over the Punjab.

Rajasthan is one of the beneficiaries of the Beas-Ravi River waters system and, under the terms of the settlement of the Punjab issue agreed by Mr Rajiv Gandhi, the Prime Minister, Mr Harchand Singh Longowol, the Sikh leader, last week, its share of the waters, and that of neighbouring state Haryana could be threatened.

All Opposition party members in the Haryana legislature have already resigned in protest against the settlement, and yesterday Opposition members in Rajasthan ended an indefinite sit-in in the chamber of the Legislative Assembly only after their no-confidence motion was admitted by the speaker.

Neither the Rajasthan nor the Haryana Governments are under threat, because the ruling Congress-I Parties in both states have comfortable majorities. Although the state Congress-I parties do not like the Punjab settlement, they are not publicly protesting against it in deference to the wishes of Mr Gandhi, who is president of the national Congress-I party.

Mr Longowol has now formally withdrawn earlier plans for an agitation next month over the demands of his Akayi Dal party, but he continues to face opposition from both senior members of his moderate faction and from the hardliners who have already rejected the Punjab settlement.

N. Korea acts on border tension

BY STEVEN B. BUTLER IN SEOUL

NORTH KOREA yesterday proposed measures to reduce and disarm guard forces stationed in the truce village of Panmunjom in an effort to ease tensions with South Korea. The move is partly aimed at avoiding military incidents of the type that took place last November, when two North Korean guards and one South Korean died in a shooting incident following a defection by a visiting Soviet citizen.

The proposal is the first that North Korea has ever presented with the aim of reducing tension in the area. Rear Admiral Charles F. Horne, senior member of the United Nations Command Military Armistice Commission, welcomed the proposal and said the UN command would prepare a response.

The north's proposal calls for reducing guards in the 800 metre wide joint security area from 35 to 10 and disarming them. Guards are currently allowed to carry side arms.

The north wants joint observer teams from each side to conduct inspections to confirm the removal of automatic weapons from the area. The teams would accompany members of the neutral nations supervisory commission which is composed of Swiss, Swedish, Polish and Czech military officers.

The proposals come as North and South Korea began discussions across a wide range of topics. The two have agreed to promote a positive atmosphere for the talks. South Korea never signed the armistice agreement that stopped the fighting in the Korean war, and is not a formal participant in the armistice commission meetings.

Over a million armed men, including 40,000 U.S. troops, are stationed on either side of the demilitarised zone that divides Korea. The UN command has made a number of proposals in recent years designed to reduce tension.

AMERICAN NEWS

Administration forecasts 4% growth next year

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration, sticking grimly to economic projections which most private economists believe to be hopelessly optimistic, is forecasting that the U.S. economy will grow at an annual rate of 4 per cent next year but short-term interest rates will remain around current levels. The Federal Reserve is forecasting real growth of between 2.5-3.25 per cent for 1986.

The White House yesterday released the official economic forecasts it is using to prepare the mid-year review of the federal budget outlook. For 1985 the Administration is projecting that economic growth, which rose at an annual rate of only 1 per cent in the first six month of the year, will recover sharply in the second half.

For 1985 as a whole, the White House projects a real growth of 3 per cent, which impies growth of over 5 per cent at annual rates between July and December. Even some Administration officials concede that so strong a recovery will be hard to achieve. Indeed some top officials worry that the second half may not be much stronger than the first.

The Administration will project growth falling to 3.6 per cent and a continuing decline in interest rates to 5 per cent by 1990. Thus the longer term economic outlook assumed by the Administration is little changed from earlier forecasts even though many private economists would agree that the economic climate generally has deteriorated significantly over the past 12 months.

But it is the longer term projections which the Administration is making — projections which will have a major and positive impact on the forthcoming projections for the federal budget deficit — which will be widely seen as yet another sign that the Administration is still busy manipulating statistics in order to avoid publicly facing up to the reality of the deficit problem it faces.

With private economists, according to the Blue Chip consensus of economic forecasters, expecting real growth of only 2.9 per cent next year, the Administration is sticking with the 4 per cent figure

ADMINISTRATION FORECASTS

	1985	1986
Real GNP growth %	3.0	4.0
GNP deflator %	4.0	4 3
Unemployment rate %	7.1	6.8
Three-month Treasury Bill interest rate %	7.6	7.5

Western Union tries to beat effects of strike

BY PAUL TAYLOR IN NEW YORK

WESTERN UNION, the financially troubled U.S. telecommunications group, was struggling yesterday to maintain its operations after 6,500 employees, members of the United Telegraph Workers' Union, went on a nationwide strike.

The UTW members, representing many of Western Union's workers outside New York, went on strike on Sunday after failing to reach terms on a three-year contract, despite almost three weeks of negotia-

Western Union, based in Upper Saddle River, New Jersey, said that despite the strike it was able to maintain all its communications services — which include international and domestic telex, long distance telephone and private wire services and its Easylink electronic mail operations.

The company said that these services, many of which are fully automated, were being maintained by management and non-union employees.

The company is operating under an interim agreement with its bankers which late last year cancelled a $100m revolving credit line.

Western Union has been seeking further concessions.

Court frees Guadeloupe nationalist

THE GUADELOUPE Appeal Court yesterday ordered the conditional release from prison of M Georges Faisans, a campaigner for the island's independence from France. This was expected to lead to an end to a six-day-old general strike following an earlier court decision which rejected a call for M Faisans' parole, Reuter reports from Pointe-à Pitre.

Leaders of a coalition of pro-independence groups which organised the stoppage in support of M Faisans' release promised before the ruling that all road blocks created by demonstrators would be removed

A demonstration to celebrate the release of M Faisans, who has been on hunger strike in prison in Paris for 57 days, was expected in Pointe-à-Pitre, the island's main town.

Teamster strike threatens U.S. car sales

MORE than 21,000 car delivery workers, members of the International Brotherhood of Teamsters' Union, remained on strike yesterday raising fears that their six-day walk-out could begin to disrupt U.S. car sales.

The strike — the first nationwide strike by the car hauliers—was called after union members overwhelmingly rejected a tentative labour agreement between the Teamsters' Union negotiators and the National Automobile Transporters' Association,

Machine tool orders rise

U.S. machine tool orders in June were 23 per cent higher than in the corresponding month in 1984. But orders continue to lag behind earlier industry projections.

U.S. producers received orders worth $235m (£164.7m) last month, up from $191.8m in June 1984, one of the lowest monthly totals last year. Last month's total was up 5.5 per cent from $222.7m in May, the National Machine Tool Builders' Association said.

David Gardner in Mexico City assesses the Government's latest austerity measures

Economic managers take the centre stage

MEXICO's economic managers last week carried out a prolonged exercise in stage craft; as important as the actual content of the major austerity package which was announced were the timing, delivery, intonation and props.

The measures included a 16.7 per cent devaluation, a significant liberalisation of trade policy, and sharp cutbacks in bureaucracy and public spending.

Last Monday, President Miguel de la Madrid announced to the annual convention of Mexican and foreign bankers that "profound and energetic" measures would be taken to correct the drift in the economy. Important announcements poured out during the week.

On Tuesday, Government stage managers had the planned divestiture of 34 per cent of shares in the banks' nationalised in 1982 splashed all over local papers, although this measure was originally announced 21 months ago.

It was announced on Wednesday that IBM would be starting personal computer production in Mexico. Negotiations with IBM had gone on for 18 months, but the broad outlines of the investment as finally agreed have been clear for several months.

The austerity package announcement on Wednesday night was preceded by careful leaks that the measures would include substantial trimming of the bureaucracy, and followed by prominent press reports of a bilateral trade accord with the U.S.

The 24-hour visit to Mexico by Mr George Shultz, the U.S. Secretary of State, on Thursday and Friday, was used as a convenient backdrop to re-announce the trade agreement reached more than three months ago.

Trade measures in the austerity package had also been announced repeatedly, over the last year. Some of the cutbacks were supposed to have been made in December 1982 when Sr de la Madrid took office.

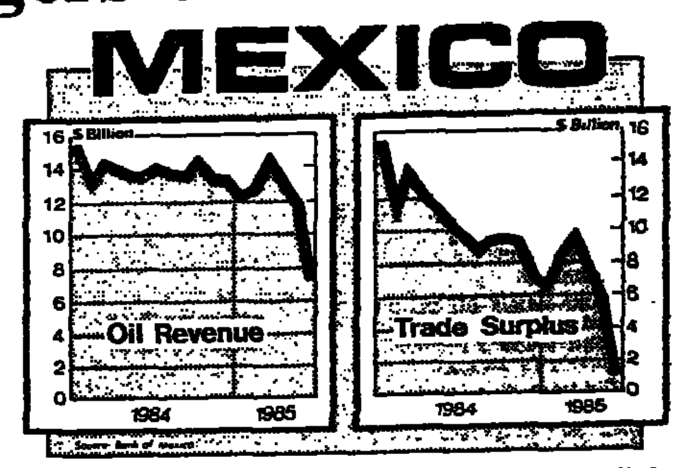
But no matter: the markets and a nervous public have responded, for the time being at least.

Mexico City's volatile stock exchange rose to records each day of last week, adding up to 200 points each trading session. In the "free" or parallel peso market, the currency had risen from pesos 272 to $1 at the beginning of June to pesos 400 one week ago. Speculation levelled off at the end of last week and the peso fell back to around 350. Interest rates, which had risen 10 percentage points since February, dropped half a point for three-months' deposits.

The Government appears psychologically to have regained the initiative. It had been widely seen as vacillating and unwilling to take difficult decisions ahead of key mid-term elections held on July 7. The 1982 financial crisis was also preceded by the postponement of decisions until after July 1982 presidential elections.

This time the government sought to demonstrate that it will not relinquish the direction of the economy, despite formidable external constraints.

These constraints are the service payments on the $96bn foreign debt and structural dependence on oil revenues, which provide 70 per cent of export earnings and 45 per cent of tax receipts.



Last year, Mexico earned $16.6bn from oil, but falling prices have cut earnings for the first half of this year to about $7.1bn, against $8.4bn for the same period last year. Non-oil exports have fallen 15 per cent while imports have risen 40 per cent in the first half, further reducing the trade surplus to about $3.9bn (against $7.5bn in the first half of 1984 and $12.8bn for the whole year).

The falling trade surplus is one of the principal reasons for the $2bn fall in reserves to $6.2bn. The current account is now almost certain to go into the red after last year's $4bn surplus, and a debt service bill of about $13bn is expected despite the fall in international interest rates, forcing Mexico either to seek larger sums of new credit or allow reserves to be depleted further.

However, the fall off in Treasury receipts from oil sales is also fuelling the public sector deficit. The tax shortfall has forced the Government to increase domestic debt, but the introduction of a public sector borrowing requirement in place of a previously open-ended system of deficit financing, means it has had to go to the market for extra money.

Interest rates have been pushed to record levels, raising the cost of both old and new borrowing and requiring yet more credit to keep up with the need for disposable funds. The Government admits that the target for the total deficit this year of 5.1 per cent of GDP is certain to be missed by at least two percentage points.

The Government's admission is part of a new candour which, when the full economic Cabinet turned out to present the austerity package last week, included a three-point mea culpa from Sr Carlos Salinas de Gortari, the Planning Minister.

Sr Salinas said Mexico's public sector was simply too big for the economy to sustain, and that the Government had failed to anticipate the vigorous upturn in private investment on the one hand, and the "extraordinary pressures" from the oil market on the other.

The Economy's growth over the past nine months of 6 per cent to 7 per cent at an annual rate exposed major economic short comings. Mexican industrialists, used to a lucrative and protected market at home, had been exporting on a temporary basis to soak up an average 40 per cent excess capacity, so creating the illusion that the economy was diversifying away from oil.

The combined measures of the 16.7 per cent devaluation and trade liberalisation is meant to address this problem and raise the tax take. Manufacturing inputs are expected to be cheaper, especially for exporters (which should both help the trade balance and dampen inflation, still running at an annualised 53 per cent). Devaluation of the "controlled" peso rate, at which 80 per cent of Mexico's trade and debt is transacted, is expected to keep non-essential imports expensive and give exports a more competitive edge.

Public sector cuts of pesos 150bn ($536m at the controlled rate) on current spending follow cuts earlier this year of pesos 700bn on a total budget of pesos 18,400bn.

Sr de la Madrid set the tone of the measure by taking a 10 per cent pay cut. The Government offered this symbolic sacrifice to demonstrate that it is not immune from the general round of austerity. The promise to follow through with at least equivalent cuts in the public sector enterprises is still a project at the moment.

Garcia austerity moves cause business anxiety

BY OUR FOREIGN STAFF

CONSERVATIVE Peruvian businessmen reacted anxiously yesterday to the inaugural speech of President Alan Garcia who assumed office in Lima on Sunday. The general attitude to his decisions to limit payments on the foreign debt and institute a regime of austerity was, however, that they came as no surprise.

Representatives of the incoming government have been holding talks with creditor banks for the past month

Bankers have been reassured by President Garcia's resolve to implement his own economic squeeze.

President Garcia's resolve to limit service payments on foreign debt to no more than 10 per cent of export earnings meeting of 11 Latin American foreign ministers of the Cartagena group who started meeting in the Peruvian capital yesterday.

Bolivian rail links may be cut off

By Hugh O'Shaughnessy

BOLIVIA'S rail links to the outside world are in danger of being cut off because of its non-payment of dues.

Sr Rodrigo Navarra, the chief manager of the line which links the Chilean port of Arica with La Paz, said that the suspension of service was imminent because arrears in Bolivia's payments had reached $640,000 (£457,000).

Latin Americans meet in Cuba on foreign debt

ABOUT 500 delegates ranging from politicians and businessmen to intellectuals and churchmen meet in Cuba today to discuss Latin America's crippling foreign debt, Reuter reports from Havana.

The conference, called by President Fidel Castro, is the latest step in a drive to mobilise the continent behind his view that the $360bn (£257bn) cannot and should not be repaid.

However, diplomats in Havana said the meeting, which has no set agenda, would be more notable for its absentees than for those who had accepted Castro's personal invitations to attend.

All the heads of state and most of the former presidents of the region declined invitations and most Latin American governments have not sent even ministerial-level delegations.

The most notable figures attending are former Colombian president Sr Alfonso Lopez Michelson, ex-Bolivian president Sr Walter Guevara Arce and Uruguayan leftist leader General Liber Serengi.

WORLD TRADE NEWS

Producers aim to sell more wool to China

By Anthony Moreton

THE INTERNATIONAL Wool Secretariat, marketing arm for the world's major producers, is to mount a major campaign to sell more wool in China.

It is to license more concerns to use its internationally famous Woolmark symbol, which can only be attached to clothes containing 100 per cent wool.

Some 80 concerns are already licensed to use the symbol, all of which are geared to the export trade. China is already one of the biggest users of wool in the world and even a small rise in annual consumption will put it ahead of the U.S., the leading market.

The campaign is to be launched at trade fairs in Shanghai late next month and Peking at the end of September.

The move is being viewed with considerable concern by many European garment producers who fear that the consequence will be to unleash a flood of cheap wool products onto Western markets.

Dr John McPhee, managing director of the IWS, denied this would happen, saying "the intention is not to promote China as a cheap manufacturing base for exports to the West, but to enlarge and improve its internal market.

"By comparison with other fibres, little wool is used (in China), about 150m kgs a year, though the amount is very large in world terms.

"Even a small rise in consumption in the country could mean big business for the growers in Australia, New Zealand, South Africa and Uruguay."

Dr McPhee said the quality of Chinese goods was low and that quality-control standards were virtually non-existent.

"But this was also the situation in Italy in the early 60s," he said. "As a result of the introduction of the Woolmark symbols, Italy has become the best manufacturer of woollen clothes in the world."

China would not be a threat to successful companies in West Europe, Dr McPhee maintained. "China can now produce first-rate worsted, but they lack design content and so would only threaten the less efficient producers in the West."

Tokyo plans interest rate cut to aid designated imports

BY CARLA RAPOPORT IN TOKYO

JAPAN will today announce a further reduction in interest rates on loans to companies which import designated manufactured goods. The new rate will be 6.5 per cent against 6.8 per cent previously.

At the same time, the country will re-open a foreign currency lending programme, offering a fluctuating rate of ½ point over that for six-month Treasury bills. Six-month Treasury bills are currently at 7.77 per cent.

The further reduction of the interest rate for imported goods is seen as a compromise, with many government officials still believing that 6.2 or 6.3 per cent would be a proper incentive for companies to increase their imports.

The manufactured goods eligible for the low interest rate and foreign currency loans will include industrial machines, agricultural machines, such as tractors, printing machines, rolling stock and medical and optical equipment and electrical machinery.

The interest rate for manufactured goods was reduced a few months ago from 7.1 per cent to 6.8 per cent. Since then, only a few companies have applied for the loans.

● Toa Domestic Airlines (TDA) announced yesterday that it planned to buy a A-300B4 Airbus from the European consortium Airbus Industrie for about Y10bn ($41.8m).

While the group is considering using the new reduced rate loans for the aircraft, it may opt against such a plan as a lease agreement may be more advantageous.

Jakarta, China in trade talks

BY ROBERT THOMSON IN PEKING

AN INDONESIAN trade delegation has begun talks in Peking on re-opening formal trade links between China and Indonesia.

The talks have been prompted by Jakarta's need to diversify exports at a time of falling oil revenues. Indonesia has been eyeing the Chinese marketplace, and wants to rectify an indirect trade imbalance heavily favouring China.

It is estimated that Indonesia buys between $200m and $300m in Chinese goods a year through Singapore and Hong Kong, while China buys roughly a tenth of that amount from Indonesia through the same channels.

The Indonesians have come in force to Peking. There are 120 members in the delegation, most of them industrialists and businessmen, who were encouraged by President Suharto before they left to do the best they could to expedite trade between the two countries.

Indonesian officials yesterday described the first round of the talks as very successful and friendly. Earlier, the chairman of the China Council for International Trade, Wang Yaoting, said China was "willing to expand economic and trade relations and strengthen various forms of exchange and co-operation with Indonesia."

In reply, the head of the Indonesian delegation, Sukamdani Gitosardiono, chairman of his country's Chamber of Commerce and Industry, said direct trade would help the development of both countries. He expects "practical results" from the two-week visit.

For the Indonesians, this would entail the opening of the Chinese market to their plywood, steel, tin, fertilisers, coffee, rubber, palm oil, tea and spices. The delegation will also examine what Chinese manufactured goods would be suitable for the Indonesian market.

The visit follows the signing of a memorandum of understanding in Singapore on July 5 to resume trade and business travel. It was significant that at the signing there were no government officials present, as the two governments are still formally estranged. The two countries suspended diplomatic ties in 1967 after Indonesia accused China of supporting an aborted Communist coup attempt in 1965.

In recent months, the Chinese have frequently indicated their desire for better relations. On the other hand, the Indonesian Government continues to hold fears of Chinese support for communist insurgents and is wary of the emerging China.

Relations were given a push in April when Wu Xueqian the Chinese foreign minister, briefly met President Suharto during the 30th anniversary celebration for the Bandung Afro-Asian conference. But Indonesian businessmen who visited Peking unofficially about seven weeks ago were branded as disloyal by the head of the Indonesian armed forces, Commander General Benny Murdani.

The memorandum of understanding has already stipulated that four ports in each country will be opened to the other country's ships, and trade payments will be made in convertible currencies.

While Indonesia hopes to export around $400m in goods to China in the next year, China is investing in a step-by-step improvement in bilateral relations, though Jakarta has been firm in its statements that the two countries are not yet on a path to political reconciliation.

Pakistan aims to lift sales to EEC

PAKISTAN HOPES that its current trade imbalance with the EEC will be narrowed, as a result of the newly concluded agreement for trade and economic co-operation, writes Mohammed Aftab in Islamabad.

Mr Salim Saifullah Khan, Minister for Commerce, said on his return from Brussels, where he signed the five-year agreement that he had emphasised to the community's leadership that the EEC should try to import more from Pakistan. He said the EEC will consider his requests to provide more access to Pakistani textiles, canvas shoes, and high-quality basmati rice.

Pakistani exports to the EEC totalled $317m, while its imports were $986m in 1984-85.

The EEC exports to Pakistan mainly consist of capital goods, machinery and spares, pharmaceutical goods, iron and steel, metals, rolling stock, ships and boats, and scientific instruments. Islamabad exports to EEC include raw cotton, cotton textiles, tents, canvas, handicrafts and fish.

Under the new agreement, the EEC will co-operate with Islamabad in developing Pakistani engineering goods, leather products and gems and jewellery for the European market in order to help it export more to that region.

Intelsat rivals told to find partners

By Nancy Dunne in Washington

THREE COMPANIES granted conditional construction permits for telecommunications satellites by the U.S. Federal Communications Commission (FCC) last week must now obtain foreign partners if they are to succeed in their efforts to provide limited competition to Intelsat, the worldwide satellite communications co-operative.

Thus far, no government has expressed interest in the proposed services, although a spokesman for one of the would-be competitors said he hopes to lure partners through contract offers.

The European Space Agency, for example, might be used to launch the new satellites.

"At this time, no Intelsat member-government or telecommunications entity has stated its agreement to construct, operate and use (or institute in co-ordination with Intelsat) any of the three systems granted applications by the FCC nor the two additional applications which apparently will be authorised after meeting technical concerns of the commission," an Intelsat statement says.

The FCC said the applicants must get foreign partners who will then join them in consulting with Intelsat, before the commission gives the final go-ahead for launch.

The spokesman said the FCC will give operating authorisation once it receives a letter from the Secretary of State notifying the commission that the U.S. has fulfilled its commitment to co-ordinate with Intelsat.

Last week, the FCC approved a conditional construction permit for PanAmerican Satellite Corp, which hopes to have a satellite in orbit by July 1986 and intends to offer service between North and Latin America.

A conditional construction permit was also approved for International Satellite, Inc, which intends to offer service between the U.S. and Western Europe.

RCA American was authorised to modify a satellite already under construction for domestic use so that it can provide international service between the U.S., Europe and Africa.

Intelsat has fiercely opposed the new competition

West takes softer line in bid for fresh Gatt round

BY WILLIAM DULLFORCE IN GENEVA

ANOTHER TWIST is being added to the already tangled tale of the industrialised countries' attempt to get new international trade talks going.

Last Thursday, the U.S. formally submitted to Sr Felipe Jaramillo, the Colombian chairman of the General Agreement on Tariffs and Trade (Gatt), its request that a special session of Gatt contracting parties be called "as early as possible in September," to examine "the subject matter and modalities" of a new round of negotiations.

The U.S. move aims at circumventing the deadlock reached in the Gatt council on July 19. Brazil and India, at the head of a small group of developing countries, then prevented a consensus being reached on the convening of a meeting of senior officials on September 9 to prepare the negotiations.

Now, however, the partners of the U.S. in the drive to obtain new trade talks—the European Economic Community, Japan and Canada—are trying a more conciliatory approach to the hard core of developing countries.

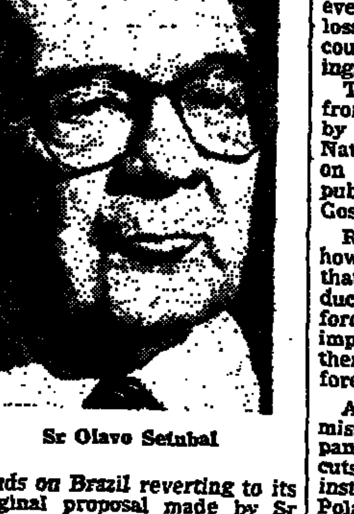
Through contacts with the dissident and doubtful members of Gatt, they hope to persuade the developing countries to agree to resume the suspended council meeting and to make another attempt to obtain something like a consensus on a preparatory meeting of senior officials.

This new approach is based on the belief that some compromise can be reached over Brazil's twin-track proposal for holding talks on trade-in-services separately from talks on trading in goods.

It has been made possible by a change in France's attitude. In the last Gatt Council meeting, the EEC was the firmest opponent of the twin-track approach because Paris had vetoed the idea. It appears that the French have been persuaded to soften their stand.

The philosophy behind the new approach is that conciliation will form a better platform for the preparatory meeting than the bitterness that would inevitably remain, if the U.S. succeeds, as it almost certainly will, in forcing through a meeting of the contracting parties.

Compromise on the twin-track approach, however, depends on Brazil reverting to its original proposal made by Sr Olavo Setubal, its Foreign Minister, at an informal meeting of trade and other ministers in Stockholm last month.



Sr Olavo Setubal

Sr Setubal then agreed to both sets of talks being held in "watertight compartments" under the aegis of Gatt, and to the convening of a preparatory meeting without preconditions about possible trade-offs between the two.

The Brazilians subsequently retreated from this position in a "communication" circulated to Gatt members and in the proposal submitted to the last Gatt Council meeting.

The situation is now that the industrialised countries are pursuing parallel approaches to the convening of a preparatory meeting.

The Gatt Secretariat has already asked its 90 members to reply before the end of August to the U.S. request for a meeting of contracting parties. If 46 affirmative answers are received, the meeting can be called at 21 days' notice.

The U.S., which has not opposed the new approach of its partners, still hopes that 46 Yes votes can be obtained in time to allow the convening of the meeting early in September.

The success of the EEC's pre-empting approach depends very much on the holiday plans of the negotiators concerned.

Poland's exporters still subsidised

By Christopher Bobinski in Warsaw

POLISH COMPANIES producing goods destined for hard currency markets continue to be isolated from foreign competition by the Government which is ever ready to subsidise trading losses in an effort to boost the country's overall export earnings.

This is the conclusion drawn from a survey of exporters done by the official Institute of the National Economy (IGN) based on last year's performance and published in the Zycie Gospodarcze weekly.

Results of the survey show how little has come of hopes that economic reforms introduced over three years ago will force exporters to innovate and improve efficiency by bringing them into direct contact with foreign competition.

A flexible exchange rate, permission for individual companies to trade on their own and cuts in subsidies were to be the instruments of restructuring Poland's export capacity.

However, last year, IGN reports, even fewer companies than in 1983 were ready to have specialised foreign trade organisations take their products on a sale-or-return basis and accept payments of the world price.

Rather, three-quarters preferred the traditional method of handing over their products to the foreign trade company which then sold them for the best price, paying the producer's cost plus profit and letting the state budget cover any resulting loss.

The IGN report states that successive devaluations of the Zloty have had little effect on exporters' performances, and as of last year 40 per cent of Poland's trade world-wide was being conducted at a loss.

At the same time as producers were taking advantage of the Government's need to export at all costs, the central administration was restricting companies freedom to spend foreign exchange earnings as they saw fit.

Since 1982, exporters have been given the right to dispose of some 20 per cent of their total hard-currency earnings

But last year, exporters complained that ministries and foreign trade companies were increasingly interfering in how this money was to be spent.

UK NEWS

Octopus and Heinemann in all-paper merger

OCTOPUS, the fast-growing publishing group run by Mr Paul Hamlyn, is to merge with Heinemann, the publishing subsidiary of BTR in an all-paper deal which values Heinemann at £110m writes Andrew Arends.

The merger, which creates one of the largest UK publishers, with combined sales of about £150m, involves BTR taking up 18.75m newly-issued Octopus shares in exchange for Heinemann. This gives Sir Owen Green's industrial holding company a 35 per cent stake in Octopus, although under the terms of the deal, Mr Hamlyn and his family will retain voting control.

Mr Nicholas Thompson, Heinemann's managing director, will join the Octopus board as an executive director, while Sir Owen Green, BTR chairman, and Mr J.D.M. Smith, chairman of Heinemann, will join it in a non-executive capacity.

Octopus shares jumped 40p on the day to close at 585p giving the group a market capitalisation of about £310m. On the day BTR shares slipped 2p to close at 318p.

Mr Paul Hamlyn, Octopus chairman, said yesterday that Heinemann, which publishes educational books as well as general fiction and non-fiction, would fit in well with the planned publishing group he had wanted to set up.

Heinemann, which also holds a one-third stake in Pan Books, the paperbacks publisher, made pre-tax profits of £7m in the year ended December 1984 on turnover of £40m.

Octopus, which Mr Hamlyn founded in 1971, is known mainly as a publisher of illustrated non-fiction books on leisure activities such as cookery and gardening. It made record pre-tax profits of £9m in the year ended December 1984 on turnover of £53m, compared with £6.33m in pre-tax profits on turnover of £37m in the previous year.

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Scottish agency accounts qualified

By Lisa Wood

THE ACCOUNTS of the Scottish Development Agency (SDA) – the government-backed body responsible for attracting industrial investment to Scotland – have been qualified by the National Audit Office, Parliament's public-spending watchdog responsible for auditing the accounts of various public bodies.

Sir Gordon Downey, Comptroller and Auditor General, said the accounts overstated the value of SDA's property assets by £108.4m.

The accounts put their value at £276.7m, while an independent valuation at the end of the financial year to March 31 came up with an open-market figure of £166.3m.

The SDA, in a note to its accounts, said it had not used the open-market valuation because such a basis of valuation "although fully appropriate" for an investment company, was not consistent with the SDA's purposes as contemplated by parliament when it was set up. The agency's main priorities are to encourage and support small businesses and assist development of the services sector.

It is understood the problem of assets being worth less on the open market than their net book value faces other development agencies involved in similar activities.

French turkey claim dismissed

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A £19m damages claim against the Ministry of Agriculture by French turkey producers has been barred by the Court of Appeal in London.

By a 2-1 majority the court ruled that the French producers were not entitled to claim damages for losses they suffered when the ministry imposed a ban on French turkeys being sent into the UK.

Their only legal remedy for what the European Court of Justice had *held was a breach of the Treaty of* Rome, was to seek judicial review of the ministry's decision and a declaration on their legal rights, the court said.

The ministry's appeal against a High Court ruling last October that French producers were entitled to damages, to be assessed later, was allowed. The French producers were given leave to appeal to the House of Lords.

The ministry imposed the ban in 1981, saying that it was to prevent the introduction of disease into the UK. French producers contended that the real motive was to protect British turkey producers whose business was being severely hit by French competition.

The European Court ruled that the ban was a breach of Article 30 of the Rome Treaty, which prohibits "quantitative restrictions on imports" between member states.

Lord Justice Nourse said that European law provided for national courts to decide the remedies for breaches of rights protected by the Rome Treaty.

English law did not allow a private individual to recover damages against the Crown for an injury caused by a minister who, acting in good faith, exceeded his legal powers.

Reuters launches arbitrage alert service

REUTERS, the news and financial information organisation, yesterday launched a new service which can automatically alert foreign exchange dealers to possible arbitrage opportunities.

The Reuter Monitor Abacus service continuously scans the Spot, Forward and Deposit rates in 24 currencies using "real-time" market information.

Abacus, Reuters says, gives dealers an edge by alerting them to possible market opportunities without the need to key in changing information.

The new service, which has already been taken by three banks before the formal launch, allows dealers to calculate currency rates in seconds. It also calls up cross rates between any two currencies in the spot and forward markets.

"With the touch of a button, an accurate price for the delivery of a currency on any date in the following year can be displayed," Reuter says.

The company also announced an enhanced graphics service allowing two graphs – one can be a line graph and the other a histogram – to be displayed on the same screen simultaneously.

□ **MEMBERS** of three Lloyd's insurance syndicates, already facing 1984 losses of £130m, have been told they may be liable for even larger losses this year. The syndicates were involved in a subsidiary underwriting agency of Minet Insurance Group which has to meet claims from the U.S., many involving asbestos-related diseases. The 1,500 members already stand to lose about £200,000 each, but some could be liable for up to £1.2m.

□ **A LARGE** bomb which exploded in the centre of Belfast, Northern Ireland, damaged buildings over a wide area. The explosives were in a stolen van outside the city's Petty Sessions court building. One police officer was hurt by flying glass.

□ **DONATIONS** made through the National Giro Bank to the Live Aid famine appeal now total £7.95m, a spokesman said.

□ **SCOTTISH** Tourist Board has launched a project which aims to treble the number of American visitors to Scotland by the end of the decade. It is headed by a Scottish-American consortium of tourists with the aim of establishing a network of travel agents throughout the U.S.

□ **BARCLAYS** Merchant Bank confirmed that it would not recognise trade unions in its new merchant banking and stockbroking company when it is launched in September.

□ **BRITAIN** was in danger of losing a £70m hydro-electric contract in Sri Lanka because of bureaucratic delays in Whitehall over agreeing an aid package, the Labour Party's trade spokesman, Mr Bryan Gould, warned.

□ **TWO SOCCER** clubs whose fans caused a riot in which a teenage supporter was killed have been penalised by football authorities. Birmingham City was fined £5,000 for failing to take adequate measures to prevent crowd trouble and Leeds United was told its away games next season must be ticket only.

□ **PERKINS ENGINES** and Hawker Siddeley Marine (HSM) have joined forces to market diesel engines for marine use. HSM, a subsidiary of the Hawker Siddeley engineering group, will market Perkins heavy-duty engines for workboats, mainly in ports in South America, the Caribbean and Africa.

UK NEWS

Faster cash flow sought for inner-city projects

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

INNER CITY Enterprises (Ice), the agency set up in 1983 to encourage financial institutions to fund commercial property development in declining, inner urban areas, itself plans to enter the development market.

The move is designed to speed up the disappointing rate at which insurance companies and pension funds have been committing investment cash to decaying, inner cities.

Ice was created in response to a suggestion from the Financial Institutions Group, established by Mr Michael Heseltine, then Environment Secretary, after the 1981 inner-city *riots. The intention was to* establish development opportunities in run-down areas and to help secure *local* regeneration by arranging funding among Ice's 49 institutional shareholders.

In its latest annual report, however, Ice says that although it is now satisfied that inner-city areas can generate a steady flow of sound commercial developments, it has proved much more difficult than envisaged to obtain the necessary funds from institutions which remain reluctant to make individual investments in questionable locations.

In addition, Ice is not earning enough by way of fees to cover the high costs involved in assembling funding proposals to put to its shareholders.

Since its creation, Ice has secured *funding for only three projects – in* Birmingham and Walsall in the West Midlands and in Notting Hill, *London. Funding commitments for* three more schemes have recently been given. The six projects have a combined value of £7m.

Mr Wyndham Thomas, chairman of Ice, said yesterday that, in order to be fully effective, the company must be allowed to operate as a development principal.

"The board has come to the view that the interests of Ice and its shareholders would be best served if the company were recapitalised to give it the financial resources needed to deal in property, undertake development and hold investments in its own right."

Beecham drug cleared for Japan

BY TONY JACKSON

AUGMENTIN, the antibiotic produced by Beecham, the UK drugs group, has received final clearance for marketing in Japan. The product will be launched early next month.

Augmentin, a penicillin-based antibiotic which combats resistance in bacteria, was *given marketing* clearance last December for a number of indications such as respiratory and urinary tract infections.

It has now received the final clearance from the Japanese authorities, consisting of the setting of a price level under the national health insurance scheme.

Clinical trials on Augmentin in Japan began in 1980. The drug will be marketed by Beecham Yakuhin, a Beecham subsidiary, and co-distributed by the Japanese company Meiji Seika.

*According to Beecham, the Japa*nese market for oral antibacterials is worth more than £1bn a year. Augmentin was launched in the UK in 1981, and in the U.S. last September.

Sir Ronald Halstead, Beecham chairman, said last week that U.S. sales of the drug had so far been well ahead of expectations, and that the product was already running at a profit after covering launch costs.

Financial target unchanged for arms factories

THE MINISTRY of Defence does not plan to change the financial objective of Royal Ordnance, the state *arms factories organisation*, in the run-up to privatisation in the middle of next year, Lynton McLain writes.

The decision comes about a fortnight before the Government is to *publish* the Royal Ordnance financial results for the nine months to December 31 1984. These are expected to show a marked loss compared with £86.7m trading profit made by the arms factories in the year to the end of March 1984.

The ministry has set Royal Ordnance a financial objective of earning a 5 per cent real rate of return on its average capital employed on a current cost basis in the run-up to privatisation. This is the same rate of return required from the former *Royal Ordnance Factories (ROF)* organisation in the five years to March 31 1984.

ROF was operated under a government trading fund but became a public limited company, subject to the companies' acts, in January, in readiness for a sale to the private sector.

The target for Royal Ordnance as it prepares for privatisation is modest in comparison with the organisation's previous performance against the earlier target. The state arms factories earned a total surplus of £144.5m in the five years to March 31 1984. This represents an *average return of 10 per cent a year* on the average net assets employed at current values, double that required.

In the five years, dividends totalling £89.5m were paid, giving an average *annual return of 8.4 per cent* on equity capital represented by public dividend capital and retained *surpluses and insurance reserves.*

The latest financial objective for Royal Ordnance was announced as the House of Commons rose for the summer recess on Friday, by Mr John Lee, junior defence minister.

Mr Lee also announced an external finance limit of £50m for Royal Ordnance for 1985-86.

● The Ministry of Defence hopes to invite companies from the private sector to tender for the operation of the Royal Dockyards by next spring, subject to legislation being passed in time, Mr Lee announced.

The British Army's newest boot – introduced just three years ago – is to be phased out because of a range of problems including poor sole bonding, and excessive sole wear. Many soldiers also found the boots – introduced barely too late to be used during the Falklands campaign – took twice as long to break in as the old ones: six weeks as against three.

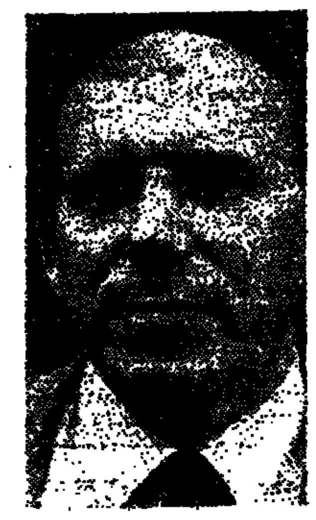
Peter Riddell profiles the MP in the JMB affair

Thorn in the side of officialdom

MR BRIAN SEDGEMORE is the type of MP who always makes the Establishment uncomfortable. His recent detailed allegations in the *House* of Commons about the £248m collapse of Johnson Matthey Bankers (JMB) are only the latest and most *dramatic* episode in more than a decade as a whistle blower and crusader against official secrecy and corporate misdemeanour.

Mr Sedgemore is a contradictory character, puzzling friends and opponents alike. No one disputes that he is very clever – an Oxford graduate, a *former* civil servant and a practising barrister before becoming a Labour MP.

His presentation in the Commons last Friday of highly complicated charges about JMB would have done credit to a top barrister. He is also a formidable questioner of ministers and officials as a member of a select committee of MPs.



Mr Brian Sedgemore

Mr Sedgemore has impeccable left-wing credentials – a rebel against the *last* Labour Government, even being dismissed by Mr James Callaghan as parliamentary *private secretary to Mr Tony Benn*, during his first period in parliament from 1974 to 1979. Since his return to the *Commons* in *1983 he* has been a member of the hard-left Campaign Group and has never broadened his appeal beyond them in his unsuccessful attempts *for* election to the shadow cabinet.

His experience working with Mr Benn in the Department of Energy in the late 1970s have been recounted in a thinly disguised form in his *recent novel (his second), Power* Failure. The main plot involves an unscrupulous permanent secretary *in collusion* with the *nuclear* industry deceiving a well-intentioned energy secretary.

As in all Labour Party myths, the bad guys win and, in a more up-to-*the-moment section*, the Prime Minister bearing a striking resemblance to Mr Neil Kinnock, *sells out to the Americans.*

The novel reflects Mr Sedgemore's pessimistic, even conspiratorial, view of politics and public life in which the rank-and-file are always likely to be betrayed by their leaders.

Yet, unlike his left-wing parliamentary colleagues, Mr Sedgemore is not just a believer in bludgeoning *criticism*. He acts as though the sabre needs to be supplemented by the rapier and that the vigour of *party conflict* need not be undermined by cross-party examination and select committees.

Mr Sedgemore believes that more resources should be given to backbench MPs to allow them to research issues, and he has been an effective, if at times awkward, member of the Treasury and Civil Service select committee.

Over the years he has campaigned against the influence of the Civil Service, about nuclear power, the involvement of the family of Mrs Margaret Thatcher, Prime Minister, in the award of a private industry contract in Oman – and *now the JMB affair.*

His track record in these campaigns has been uneven and has *earned him many enemies as* well as allies. But he is undeniably a serious politician who researches *his allegations.*

His viewpoint and style are not congenial to those in office who believe his charges are often exaggerated; but then Mr Sedgemore is in a long British tradition of radical, personally difficult, dissenters who have always distrusted the motives and actions of those in power.

BBC will reconsider showing IRA film

BY PETER RIDDELL, POLITICAL EDITOR

MR LEON BRITTAN, the Home Secretary, has told the BBC that it would be "contrary to the national interest" for a television programme featuring an interview with one of the alleged heads of the IRA to be shown.

A final decision on whether to show the documentary will be taken at a special meeting of the BBC board of governors today.

The programme, due to be screened on August 7, is planned to feature interviews with Mr Martin McGuinness, the alleged head of *the Provisional IRA, and Mr Grego*ry Campbell, a leading figure of the Democratic Unionist Party in *Northern Ireland.*

Mrs Margaret Thatcher, Prime Minister, has already said that she would "utterly condemn" the BBC if the programme was shown. A Home Office statement yesterday said that Mr Brittan welcomed the news that the BBC was looking again at the decision to show the film.

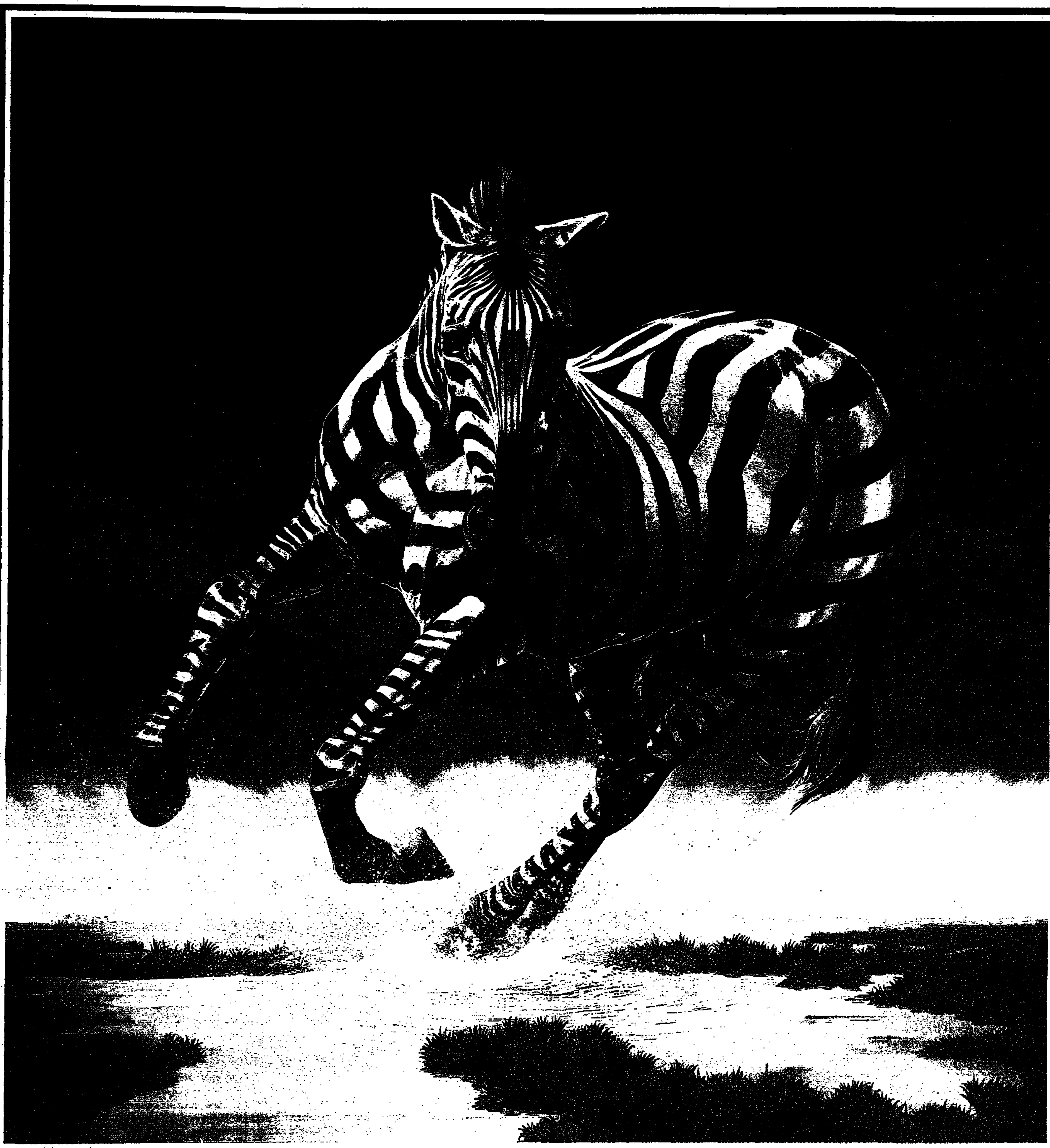
Mr Brittan made clear that he recognised the freedom of the BBC in these matters and that the Government did not wish to exercise powers of censorship.

He has told the BBC, however, *that if press reports about the film* were accurate, it appeared to give succour to terrorist organisations. *Mrs Thatcher said recently that ter*rorists "should be starved of the oxygen of publicity."

Mr Brittan said it was contrary to the national interest that a film of *the kind apparently envisaged* should be broadcast and the BBC had been asked not to show it.

If the film gave the opportunity for public advocacy of terrorist methods by a prominent member of the IRA this would give spurious legitimacy to the use of violence for *political ends*, Mr Brittan said.

Neither Mr Brittan nor Mrs Thatcher have yet seen the film or a transcript of it.



NOTHING IS MORE DANGEROUS THAN A WET ZEBRA.

Tragically, eight people will die today within fifty metres of a zebra crossing or junction.

(As you let this fact sink in, cast an eye over the weather at the moment.)

If it's wet, the death-toll today will be higher, if it's dry it will be lower. But eight is the average.

Rain-soaked zebras can be lethal because a film of water lies on the road surface and cuts down contact with the tyre.

The High Street becomes Skid Row.

One way to improve skid-resistance is to treat the road with a surface developed in the Shell research laboratories.

Called Shellgrip, it's a compound embedded with chippings that protrude through the film of water to make dry contact with the tyre.

The compound is a tough bitumen and epoxy resin. The chippings are granules of bauxite fired in a kiln to make them harder than any known natural roadstone.

Already more than 1800 sites in the London area have been treated with Shellgrip.

Saving at least two hundred and fifty lives.

And at the latest count, over forty other local authorities have laid the compound on their junctions and zebra crossing approaches.

You may well set foot on one of these zebras during your travels later today.

But just in case you find one that hasn't had the treatment, please tread warily.

In the wet, it's a bit of a beast.

YOU CAN BE SURE OF SHELL

David Marsh reviews a Banque Indosuez analysis of six years of the 'Thatcher experience'

Strength of pound 'hampers competitiveness'

BRITAIN'S industrial competitiveness is being hampered by the overvaluation of sterling against European currencies and the persistent rise of salaries in excess of inflation, according to a study from Banque Indosuez, the internationally-operating nationalised French bank.

In a lengthy analysis of six years of the "Thatcher experience" in Britain, the bank concludes the Government has still not brought in enough supply side-measures to boost the growth potential of the UK economy. It counts, however, as positive factors, the recovery since 1982 in companies' financial positions as well as an increase in the rate of return on capital investment and accelerating innovation throughout the economy.

Banque Indosuez believes British exporters' relatively mediocre performance on the U.S. market during 1984 – in contrast with other countries which profited more from America's "locomotive role" for the world economy – was partly due to UK industry's slowness in reacting to new opportunities.

The Indosuez analysis is contained in the latest issue of the bank's quarterly economic review, Index. Banque Indosuez, like its parent Compagnie Financière de Suez financial group, is chaired by M Jean Peyrelevade, a Socialist banker who was previously a top adviser to M Pierre Mauroy, the Socialist Government's first Prime Minister.

The bank says British industry between 1979 and 1984 suffered from a deterioration in competitiveness which has only partly been offset by sterling's fall since 1980–81 against the dollar.

It points out that the British authorities' attempts to dampen an inflation-generating decline against the dollar by raising UK interest rates have boosted the pound against the D-Mark and other currencies in the European Monetary Systems. "For British industry this situation is the worst imaginable because, for most industrial sectors, European countries represent their *most important markets and European* companies their most numerous competitors."

Because of sterling's recent strength against the D-Mark, the bank estimates that British industry is still handicapped by a loss of competitiveness of about 20 to 30 per cent against German companies compared with the situation in the late 1980s. Compared with U.S. companies, by contrast, the UK's sharp loss in competitiveness in the early 1980s has now been erased.

Over wages, the bank says the Conservative Government's hopes for greater flexibility of labour markets appear to have been disappointed. It points out that wage-earners have been registering real gains since 1979 (about 2.5 per cent a year on average). Furthermore, net unit costs in industry have been accelerating during the past 18 months because of a slackening in productivity gains. Practically everywhere else in Europe, the bank says, wage costs continue to decelerate.

Banque Indosuez says the "spectacular" gains in productivity during the economic downturn – 6 per cent a year on average between 1980 and 1983 – have since given way to slower annual rates of 4 per cent. There have been only limited indications of lasting changes in traditional British productivity impediments – mediocre labour relations, lack of qualifications suited to demand and inadequate competition in many sectors.

MacGregor faces a tough test of his leadership

John Lloyd looks at the difficult times ahead for the coal-mining industry in Britain

MR IAN MacGREGOR, the National Coal Board chairman, says in his preface to the annual report that he has survived the 12-month pit strike. He is fighting fit – fit to plan for, and grasp, the future.

He writes: "I am looking forward confidently to the future when everyone will concentrate on seizing the opportunities ahead so that once more the coal industry will not only benefit the people who work in it, but also contribute to the economic wellbeing of the country as a whole."

What are the opportunities ahead for the board? The answer seems to be: in the short term (this year) bad and good; in the longer term – say, the next five years, the planning period for the shortly-to-be-published Plan for Coal – good and bad.

The board managed to produce 27.6m tonnes last financial year from its deep mines, while the private contractors to whom it leases its opencast pits produced 13.6m tonnes. The deep-mine figure is down from the previous year's output of 89.9m tonnes, itself a low figure (the year before that it was around 104m tonnes) because of the effects of an overtime ban which began in November 1983.

This year, it hopes to produce some 87m tonnes from its pits and around 15m tonnes from its opencast sites. It reckons it will sell around 115m tonnes, with the shortfall of around 13m tonnes being lifted from its stocks. This year, then, it will be in a position of selling all it can produce, and more.

However, that 115m tonnes does not represent the NCB's true market: at least 10m is required by the Central Electricity Generating Board to replenish its stocks after the strike, to ensure any future dispute does not catch it at a low ebb. The "true" market is thus around 105m tonnes – or 90m tonnes from the deep mines and 15m tonnes from the opencast pits.

The board's formal strategy is to maintain around 100m tonnes of capacity in deep mines, but produce to the market. This will mean further output and capacity cuts: and these have already begun.

In the present year, output will be cut by some 4m tonnes, and capacity by rather more: the board will not be drawn on how much, but it may be somewhere in the order of 6m tonnes. The reason for the difference is some pits will be shut which are not yet producing, or are not producing at full stretch: their capacity will go, but that will have no, or a minor, effect on output.

The board is well on its way to achieving that figure. Some 20 pits are now earmarked for closure, of which two – Bedwas in South Wales and Moor Green in Nottinghamshire – have been agreed.

The manpower figures are coming down steadily, too. The board is budgeting for a loss of 15,000 men from its colliery books in the current year: and in the first quarter to the end of June, it had lost 8,400, giving it a present total on the colliery books of 163,000. Partly because of this, productivity figures are rising: output per manshift (the NCB's standard productivity measure) has gone up from 1.7 tonnes immediately after the strike to 2.62 – exceeding the budget for the year of 2.58, and just marginally below the industry's all-time average high, set in October 1983, of 2.67.

All this will mean costs should come down sharply this year: the loss has already been estimated as being in the order of £300m for 1985/86 (lower than the £410m loss in 1983/84, but more than twice the £128m loss in 1982/83): and the board was confident yesterday it could break even by the end of 1988/87, as the Coal Industry Act enjoins it to.

This year's estimated loss figure includes some £800m of investment, of which around £150m goes into new face equipment and a further £150m is earmarked for new pits, such as Selby. It does not, however, include provision for the continuing costs of the strike – that figure, at £342m, has been loaded on to the past year's figure, no doubt on the not unreasonable assumption that once losses get to the order of £1.5bn, what's another £300m-odd between friends?

In that vein, the board's main subsidiary, NCB Coal Products, made a £34m loss (£16m loss in 1983/84), most of which was due to the strike, and most of which – £46m – was accounted for by National Smokeless Fuels, which found it could only give a restricted service to its foundry and domestic customers. By contrast, NCB Ancillaries – a diverse group which includes a computer company (Compower), and engineering company (Tredomen Engineering) and National Fuel Distributors – made a pre-tax profit of £27m, the same as the previous year.

Overhanging all the board's calculations of the future are its forecasts of the markets. For the moment, its reckons the electricity market will stay around 70m-75m tonnes, though that cannot be certain forever, or indeed for much longer. It will export some 3m-4m tonnes this year, but increasing that will be hard, and the harder the more the pound appreciates. Steel learned to live without British coking coal during the strike, and did not seem alarmed by the experience: some at least of that market of around 8m tonnes a year may have gone for good: some, too, of the 6.4m tonne domestic market may also have disappeared.

The board hopes for great things from the industrial market, which is presently around 9m tonnes and which is targeted to grow to some 13m-14m tonnes. There have been some recent successes: Imperial Chemical Industries will take around 500,000 tonnes of coal a year when it converts its Wilton works, while Tate and Lyle will take 100,000 tonnes a year for its Silvertown refinery on the Thames.

But no one pretends it will be other than a slog. The board admits its market prospects are rather worse than they were before the strike, and that it will have to struggle to make up lost ground. It will need all of the chairman's combativeness to seize the future as successfully as he would wish to do.

Security Pacific plans underwriting in UK

BY DAVID LASCELLES, BANKING CORRESPONDENT

SECURITY PACIFIC, the Californian bank, has applied to the U.S. banking authorities for permission to underwrite life and certain types of general insurance in the UK.

Normally, U.S. banks are not permitted to engage in insurance underwriting on the domestic market, but the Federal Reserve Board has allowed them to enter the business abroad. Citicorp, the largest U.S. bank, obtained permission last year.

Security Pacific, based in Los Angeles, intends to set up two companies, one to underwrite credit and non-credit – related life insurance, and the other to underwrite certain credit-related general insurance products, such as accident and health insurance and unemployment insurance.

The managing director of both companies will be Mr Peter Lloyd, formerly a director of Cannon Assurance of the UK.

Mr Robert Morlan, president of Security Pacific Insurance Services, said the bank wanted to expand its underwriting activities in order to capitalise on opportunities presented by Security Pacific's international banking and financing businesses. "We feel the United Kingdom affords us an excellent market as another step in the expansion of our full-service capability."

Security Pacific is already extending its interests in UK financial services through Hoare Govett, the stockbroking firm it is in the process of acquiring.

TECHNOLOGY

EDITED BY ALAN CANE

How tiny bugs 'eat' pollution

David Fishlock looks at microbes that can devour oil spills, herbicides or sulphur, and others that make protein for savoury pies

A BIOTECHNOLOGY which began life as a solution to a waste disposal problem will be reborn this autumn as a manufacturing process for a novel food. And other waste problems previously considered intractable — getting rid of oil, PCB oil additives, herbicides, etc — are beginning to yield to the power of the microbe.

For Ranks Hovis McDougall in the mid-1960s the problem was how to accelerate the biodegradation of the starchy wastes from manufacture of its Energen low-caloriebread. It was spreading the (non-toxic) wastes on fields in Kent and letting nature take its leisurely course.

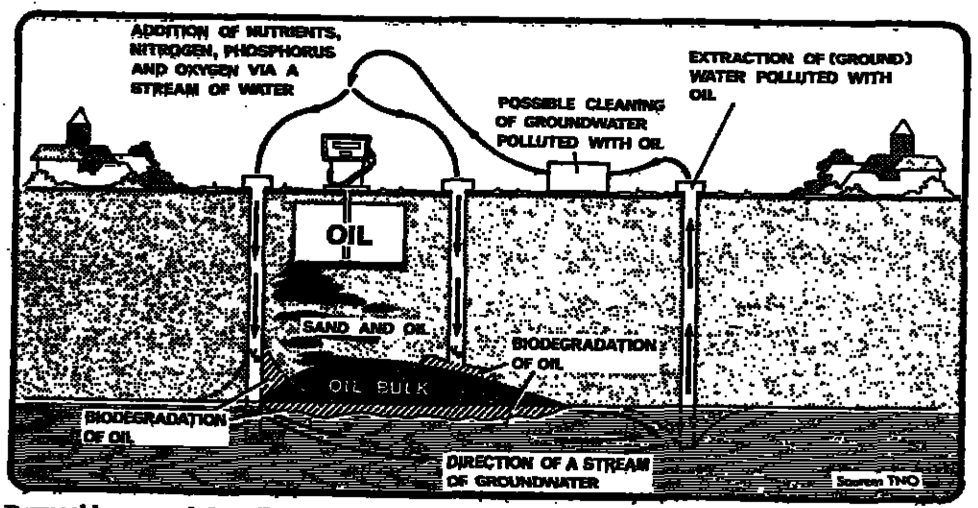
The Lord Rank Research Centre at High Wycombe, seeking a way of accelerating the process, discovered instead a way of cultivating mycoprotein, a filamentary microfungus; that is a plant related to mushrooms and truffles, but resembling the microfibrils of meat in size and strength.

Two decades later, Sainsbury's is successfully selling its Savoury Pie filled with chunks of mycoprotein—a "uniquely balanced natural food which is excellent to eat," the store claims.

The mycoprotein comes from a pilot bioreactor designed by RHM, capable of making about 1 tonne per week as a continuous process. This autumn a joint biotechnology venture between RHM and ICI, called New Era Foods, will scale up production to 20 tonnes a week, opening the way for more novel foods such as meatless burgers which do not shrink on cooking. They contain 44 per cent protein and less than 14 per cent fat.

Microbes are also coming to the aid of industries with a toxic waste or pollution problem. TNO, the Duetch contract research organisation, reports attempts to decontaminate oil-soaked ground beneath petrol stations. The procedure (see sketch) aims to stimulate natural processes of biodegradation by feeding oxygen and nutrients such as nitrogen and phosphorus into the ground.

TNO acknowledges that the process is slow and applicable only to permeable soils. It is perfecting a way of testing the rate of biodegradation in a given situation, in order to judge whether the expense of in situ decontamination can be justified.



Permeable ground beneth petrol stations can be freed from oil by accelerating the natural processes of biodegradation. Water and nutrients are pumped underground, encouraging *microbial action*

An alternative to in situ biodegradation is excavation and treatment of soil under more closely controlled conditions. They call it "land farming" and claim soil containing 6.7 kilograms of kerosene per cubic metre can be fully decontaminated in a few months. The oil-soaked soil is spread thinly, preferably on a plastic sheet, then worked by normal agricultural methods — fertilised, ploughed, harrowed, etc.

'New food' pie a sell-out at Sainsbury stores

TNO is also investigationg the possibility of accelerating biodegradation by treating the soil with selected microbes in a bioreactor.

A joint study by TNO and the State University of Groningen suggests that microbial methods of decontamination may work out substantially cheaper than incineration—50 per cent or less. The Netherlands has identified over 4,000 cases of soil pollution in the country, of which 1,000 may require treatment to lessen the hazard.

The U.S. Government's Environmental Protection Agency (EPA) also concludes that biodegradation is cheaper than incineration or chemical decontamination. A report "One bug's meat . . ." in the journal Biotechnology says one contract clean-up company, Sybron Biochemical claims: "What we're really selling is trouble-free operation."

The EPA itself is researching microbial action in aquifers, biodegradation of 2,4D herbicide and TCDB (a dioxin) in waste waters, treatments for trichloroethylene solvent contamination, and the ability of microbes to "adapt" to chemical toxins, as they do to biotoxins.

Bacteria with tastes for different forms of sulphur have been reported recently in The Energy Daily, as a potential way of ridding crushed coal of sulphur before feeding it into power stations. Researchers at the Southern Illinois University found the bacteria in local coal mines. They are trying to cross-breed the bugs to create one which will eat organic as well as inorganic sulphur, present in roughly equal amounts in this coal.

In 1980 U.S. General Electric announced that it had secured a patent for a hybrid microbe bred in its Schenectady research and development centre. By cross-breeding several natural strains of oil-digesting bacteria—individually able to eat one fraction such as camphor or octane—Dr Ananda Chakrabarty and his team had invented a microbe that digested "whole oil"

GE chose not to pursue the business of oil pollution control itself. But it retained a scientific interest in hybrid microbes for biodegrading toxic contaminants more relevant to the electrical industry. It recently announced a way of biodegrading PCBs, once widely used in electrical substations.

Dr Chakrabarty, who has returned to the University of Illinois from which GE originally recruited him, reports in Science that natural microbes "have apparently evolved the ability to degrade many halogenated compounds, particularly those with relatively few halogen atoms." (GE scientists say PCBs in the ground are being biodegraded much more effectively than was once believed.)

Dr Chakrabarty believes the action of bacteria with a natural appetite for such toxins can be enhanced by genetic engineering. He and his researchers have developed an organism capable of degrading more than 98 per cent of the herbicide 2,4,5-T when present in soil at a level of 1,000 parts per million, in only one week. At much higher levels of contamination, 10,000-20,000 ppm, weekly applications of the organism removed more than 90 per cent of the herbicide in six weeks.

What is more, the decontaminated soil was able to support growth of broadleaf plants, normally vulnerable to as little as 10-15 ppm of this herbicide.

Surprise success of 'cheap and cheerful' desk top computer

Professional Personal Computing

BY ALAN CANE

ICL's One Per Desk (OPD), a desk-top computer combined with an "intelligent" telephone, looks already as if it will be a significant success, much to the surprise of industry pundits.

Mr Andy Roberts, manager of ICL's OPD Business Centre, has already secured contracts worth £13m for the device from British Telecom and the Australian Telecom. Total orders are said to be more than £30m.

Responsible both for the development and worldwide marketing of the OPD, Mr Roberts has won one of the first STC Corfield prizes for innovation.

So wkhy has OPD proved so successful ? The answer may lie chiefly in Mr Roberts' marketing skills, for it is by no means an obvious winner. It is certainly an innovative machine, although not uniquely so. It is competing for space on the senior managers' desk with various similar items of hardware including the Northern Telecom Displayphone, the Mitel Kontact and the Rolm Cedar.

Few of these devices have so far proved as successful as their manufacturers predicted, which has raised questions about the basic philosophy underlying the "multifunction" workstation.

'What managers really want is fast access to databases'

The OPD differs from the Displayphone, for example, in operating as a personal computer while the Displayphone simply functions as a computer terminal.

But do senior managers — the kind of executives on whom a company will spend £1,200 to £2,000 for a flashy telephone — really want to use personal computers on their desk.

There is some evidence, from consultancies like Eosys, that what managers really want is simply fast and efficient access to on-line databases. Telecom Gold, for example, or any of a variety of financial information services.

So much of the power of the OPD — its computing power is derived from the Sinclair Research QL, its software, a suite of business programs from Psion — may well be going to waste.

Now this is not meant to be an exhaustive appraisal of the OPD, but even a superficial examination reveals a number of curious design features. It has all-too-obviously been built down to a price. The plastic mouldings around the keyboard and monitor screen and the keys themselves are lightweight and the whole machine seems insubstantial.

The impression is of a cheap and cheerful device rather than a quality instrument.

The machine comes, horror of horrors, with a large card-board box stuffed full of instruction manuals. They are enough to make any manager's heart sink into his or her boots and ensure that only a tiny fraction of the machine's potential is used. Managers simply do not have the time for elaborate instructions.

There are a number of minor irritations in the way the OPD operates. One of the nicest features of the Displayphone, the ability to dial a number and check it on the screen before dialling, is only possible on the OPD after turning on the load-speaker — but it is not, however, a loadspeaking telephone.

A further irritation is the peculiar programming which means that an arbitrary time after connection the number on screen is replaced by the obvious but useless message "voice call".

All of that said, the OPD is a powerful and effective desk top instrument if the user has the time, patience and interest to learn how to use it properly.

But that should not be a prerequisite to the use of a machine which ICL hopes to place on every manager's desk.

Bill Moggridge of Moggridge Associates, which worked with ICL on the design of the OPD agrees.

His company has great experience of electronic design. He was responsible for the highly regarded Grid Compass portable computer;

Mr Moggridge argues that he is happy about the physical design of the OPD, built to a price, as it was. He is less content with the user interface. Now he is talking about the need for "Softface" in computing systems, a way of making the computer simple and familiar to the user.

He emphasises seven basic points:

- WYSIWYG or wizzywig; what you see is what you get —a print out from a screen should reproduce faithfully everything on that screen.
- Appearance; the quality of graphics has been much improved by new screen handling techniques including bit-mapping—the Apple Macintesh is an example, where every dot on the screen is equivalent to a binary digit in memory.
- Economy: it is possible to create elaborate graphics and instructions to guide the user through a program but the overhead in memory and processing can be massive.
- Life; the monitor screen, Mr Moggridge argues, cannot compare with "a magic marker and sheets of beautiful paper." But metaphors can be constructed on the screen which give "life" to the image. An example could be a screen cursor in the form of an hourglass. As a lengthy task goes to completion—copying a disk for example, sand could be shown running inside the hourglass.
- Soul of the machine; Mr Moggridge argues that we do not know yet what kind of "soul" a personal computer should have. He explains, for example, that it is very easy to get into trouble on most computers, but very difficult to get out of it.

'The instruction manuals are enough to make anyone's heart sink'

Just as cars were built in the image of carriages until their true "soul" was understood, so the right metaphor for the soul of the personal computer remains to be found.

- Familiarity; memory works frequently in terms of visual experiences. Annotations on a document can be recalled because of their position, the handwriting, or the colour of ink used. Such visual clues do not yet exist in computing, but Mr Moggridge thinks it should be possible to create them.

Speed and price dictated the form of the first version of the OPD; if it has combined more functions in a desk instrument than any other up to now, it has not moved very far in terms of "Softface."

If ICL intends to lead in this kind of office system, it will have to pay attention to all these points.

Lasers cut out medical red tape

SOME 1.6m people in Maryland are to obtain plastic "memory cards" which contain information written by laser devices detailing their medical histories and insurance contributions.

Health Management Systems of Towson, Maryland, a subsidiary of the Blue Cross and Blue Shield health-care groups, is buying the cards from Drexler Technology of Mountain View, California in a contract worth $3.5m.

The Californian company makes memory cards for a variety of applications. The size of a standard credit card, each device can store 2 megabytes of information, equivalent to 800 pages of digitised data.

For the health-card, information about topics such as an individual's dental and medical records or his susceptibility to allergies, will be written and read using laser equipment supplied by Canon of Japan.

The card should increase the efficiency of management of health-care and reduce the amount of documents associated with insurance schemes.

Machine tool advice service

THE MACHINE Tool Industry Research Association in Macclesfield has joined forces with two academic institutes to offer a new service to industry in computer-aided manufacturing.

The association, with the University of Manchester Institute of Science and Technology and the University of Salford, has set up a Centre for Advanced Manufacturing Technology which will call upon the expertise of 300 engineers.

Among the services that the centre will offer are the testing of products, long-term research on new computer techniques and consultancy work to advise companies on setting up manufacturing facilities.

TRADING WITH CHINA

Prospects of growth despite short-term setbacks

BY STANLEY B. LUBMAN AND CLARK T. RANDT, JR

Wang Bingqian, China's Finance Minister

CHINA'S continuing attempts to fashion a legal framework for its international economic activities should encourage foreign traders and investors. At the same time, uncertainty continues to be fostered by factors inherent in an economic system in flux. Shortage of foreign currency is bound to reduce China's purchases for the remainder of 1985, but could lead to greater interest in foreign investments which could replace the need for imports.

A long-awaited foreign economic contract law was promulgated by the National People's Congress in March and came into effect this month. Among its most notable features is the surprising freedom it gives the parties to a contract to choose the law that would be applied to settle a dispute or interpret the contract.

Chinese trade negotiators have long resisted naming a specific foreign law to govern their contracts, preferring silence on the issue where Chinese law was unacceptable to the foreign party. Chinese legal experts have also been aware that the failure to choose a governing law would lead courts or arbitration tribunals to apply principles which, under most circumstances, would result in the application of Chinese law.

Contracts for equity joint ventures, contractual joint ventures and for the exploitation of Chinese natural resources, in accordance with Chinese regulations, must be governed by Chinese law. However, even here the new law provides that if Chinese law does not address the particular issue in question "international practice" may be applied. This provision goes beyond the law of many other developing countries to give investors and traders the possibility of invoking international rules in disputes with their local partners.

The new law also codifies the long-standing Chinese distaste for binding third party dispute settlement by requiring parties to a dispute to do "everything possible to settle it through consultation or through mediation by a third party." Failing this, the law specifically permits submission of the dispute to Chinese or to third country "arbitration bodies," and implies that Chinese courts will not hear disputes arising out of contracts with arbitration clauses. These and other broad principles laid down by the new law must await clarification in interpretative regulations which have been promised.

The new law is unlikely to change practice very much: Chinese parties to trade and investment agreements have long preferred to settle even major disputes through bilateral negotiations and compromise. Nevertheless, the new law at least expresses Chinese willingness to play by rules generally accepted by the international economic community.

The law will contribute stability to the system only very slowly. The very newness of Chinese regulations on foreign trade and investment, the rapidity with which they are appearing, and the understandable lack of uniformity of their interpretation combine to create unavoidable uncertainty. This condition is further aggravated by the apparent willingness of some Chinese trade and investment officials, especially in the special economic zones, to negotiate even on matters apparently stipulated by law.

The foreign trade apparatus continues to be in flux, due to changes in its organisation which swings between centralisation and decentralisation. Nearly 1,000 local governments and enterprises have been authorised to engage directly in trade and investment transactions with foreign parties. These new participants in China's foreign trade are competing with each other, with the trade corporations under the jurisdiction of the Ministry of Foreign Economic Relations and Trade, and with trade corporations organised by the industrial ministries, as in engineering and electronics.

Reform of the domestic economy, to permit greater play of market forces, has caused competition to arise for goods whose allocations were formerly planned. A direct result of these trends is that some Chinese exporters may not be able to fulfil their contracts because they are now unable to obtain the materials needed to perform them. One foreign importer at the Guangzhou trade fair earlier this year agreed verbally to a transaction, and was then given a contract to sign that made performance "subject to the availability of the goods." He refused. Commodity speculation has been so prevalent that Chinese leaders have publicly vowed to halt it.

Shifts in emphasis create further uncertainty. Although China's leaders are determined to maintain the "open door" policy to the outside world that has spurred the recent trade and investment surge, they have apparently decided to curtail China's purchases of goods and technology for the rest of this year, responding to the balance of payments crisis.

The latest session of the National People's Congress, which ended in mid-April, expressed concern over spending generally. Wang Bingqian, Minister of Finance, stated in his report on the Budget that expenditures would be cut, except for "key construction projects and for culture, education, science and public health services." Vice-Minister Song Ping, in charge of the State Economic commission, warned the Congress that "it is highly probable that demands will grow to prodigious dimensions and the macroeconomy will spin out of control, undermining economic development."

Specific concern exists over the outflow of foreign exchange. China's trade deficit exceeded $800m during the first quarter of 1985.

The current reduction of Chinese imports does not portend a retrenchment on the scale of the one in 1979, when contracts for major projects were summarily suspended or cancelled and imports slowed dramatically. The cutbacks are intended to be limited and temporary.

However, continuing concerns about foreign exchange have implications for negotiations on equity joint ventures. In recent years the leadership has shown a willingness to open the domestic Chinese market to products of equity joint ventures which are characterised in regulations on the subject as "urgently needed." Under the same regulations, if profitable ventures which sell most of their products in China, presumably for Chinese currency, suffer a shortage in foreign exchange, they may obtain a licence from local or central authorities to convert some of their Chinese currency profits into foreign exchange.

Permission to receive such a licence must be negotiated as part of the contract to establish the joint venture and must be approved by the Ministry of Foreign Economic Relations and the State Planning Commission before the joint venture begins operations. Because of current conditions, such licences may be delayed.

The authors are American lawyers who specialise in Chinese affairs.

THE ARTS

Galleries/Colin Amery

Portrait painters

It is five years since the John Player Portrait Award was launched at the National Portrait Gallery and it is encouraging to report that Imperial Tobacco plans to continue sponsorship at a higher level of £120,000 for the next three years. Good sponsorship has much more effect if it runs for a reasonable length of time, sufficient to have a real influence on both practising artists and those who commission portraits.

This year the exhibition of 48 paintings selected from an entry of more than 600 does show a slowly rising standard as well as a sense that representational portraiture is a reviving form. The artists have to be under 40 and it is clear that there is now a younger school of proficient portrait painters. Any company or individual wanting to commission a boardroom or a family portrait should go to this exhibition and then contact the Competitions Office at the National Portrait Gallery to locate the artist.

This year the winning portrait is by one of the more mature entrants—Jeff Stultiens will not be eligible next year. He has painted a young girl in a dull London interior and the judges consider the painting "of almost star quality," "ambitious yet orthodox." The girl is dressed in dark simple clothes that cling to the form of her body in a way that makes the figure appear brittle and the face and head correspondingly strong and brilliantly lit.

It has been a feature of this exhibition that the conventional portrait has been expanded to include figures in interiors. I feel that this raises a problem. The interiors are often extremely ordinary, colourless and without character. In the European tradition settings used to mean something—they added a dimension of heightened reality to the character of the sitter. Lurking in the backgrounds of this exhibition there are still elements of the kitchen sink school. The powerful quality of the sitter in the winning portrait is not helped by the dreary, ill-painted background.

A great portrait says everything in the face of the sitter; somehow it is possible to read in the artist's interpretation of the likeness a psychological *understanding of the human* condition. This sense of greatness is not evident in many of the selected finalists—there are too many student self-portraits that have about them the reek of narcissism. Many of these are well painted and some are so much better than others. Compare the intensity of the self-portrait of the young artist Christopher Brooks with the vacuity of Bob Tulloch who has painted himself as the cliché artistic figure.

It is the absence of cliché that makes for a distinguished portrait. One painting that puzzled me a great deal was the work submitted by Clive Wilkins.

It is a small painting of a woman in a landscape. The whole thing is framed in a heavy wooden frame. The subject is holding a bunch of marigolds and a Penguin copy of *Mozart's Letters*, and the moon is shining in a bright blue sky. It is a precisely painted and taut with an incomprehensible symbolism, and yet as a portrait it is entirely without life.

The second prizewinner, Tom Wood, has also adopted this kind of iconic approach. His painting places an older man, who is known as a collector, against a background of objects in relief. The head of the sitter has a sense of being just one more thing to collect, but it is strongly modelled and well executed.

The third prizewinner, Angus Northeast, has entered a double portrait of father and son that is very carefully and intriguingly painted although perhaps a little uneasy in the bifurcated composition.

Of the commended portraits I would single out the work of Ivy Smith. She has consistently submitted good portraits over the years and has a very direct style. Her painting of a woman in a bright blue dress is successful as an uncomplicated composition with a likeness that is poignant with feeling. The woman has a heaviness and a weariness in her pose and a sense of thoughtful melancholy about her features. This is the kind of flamboyant, quiet English portrait that has surfaced prominently during the run of this competition.

"Julie Westbury" by Ivy Smith at the National Portrait Gallery

The return of the orthodox portrait demands a parallel return to perfection of technique. There are some bad pictures in this exhibition. Badly painted hands are almost standard, and portraits that themselves are wholly satisfying as works of art are still rare. There are still some artists working in the harshly realistic greasy bacon school but there is a sense that their days are numbered. Social comment is being replaced by a deeper sense of human understanding — a quality that lifts the likeness into the realm of true creation.

Memorable portraits remain extremely rare but this competition is doing a great deal to encourage the search for greatness and originality.

Teseo/Covent Garden

Rodney Milnes

Teseo (1713) was Handel's third opera written for London, and a conscious attempt to repeat the success of *Rinaldo* two years previously: thus, an amorous sorceress—in this case Medea — on the rampage, copious magic effects and a lavish production, in the event not paid for (the impresario left hurriedly for the continent). Haym's libretto, reworked from a Quinault original of 1675, may be ramshackle in matters of motivation and logic, but it inspired consistently fresh and varied vocal writing from the composer, together with orchestration of remarkable inventiveness even by Handel's standards.

The English Bach Festival's single performance at the Royal Opera House on Sunday, sponsored by the A. G. Leventis Foundation, did the work fair musical justice. Jean-Claude Malgoire was in charge of the EBF Baroque Orchestra, a far better band than his Grande Ecurie on recent showings, and the playing was well tuned — apart from the apparently inevitable pitch variation between strings and wind — and elegantly *phrased: in sum, what* this particular doubting Thomas would call the acceptable face of authenticity.

Terence Emery's simple sets (with a little help from the ROH's *Capuleti)* could not hope to approach the lavishness of the original but worked well on their own terms; his costumes ranged from the acceptably authentic to the wilfully bizarre—poor King Aegeus was made to look like Richard III after a platinum blond rinse. Tom Hawkes's production couldn't quite make up its mind how funny or how authentic it was meant to be. Some characters were sent up, some not; some attempted EBF "period" gestures, others didn't. As Medea, Sarah Walker flung all thoughts of period to the winds and turned in a sorceress who was a bewildering amalgam of Azucena, Kundry and W. S. Gilbert's Lady Jane. It was magnificent but not, I think, quite what Handel had in mind.

But Miss Walker sang Medea's music wonderfully, catching every expressive mood from the opening "Dolce *ripose," via many variations on* jealous and vengeful fury, through to the marvellous "Moriro," one of Handel's finest at this stage of his career. And Miss Walker alone in the cast sang in comprehensible Italian.

As her antagonist Agilea, Marilyn Hill Smith more or less lived up to the character's name: her voice sounds well in this house. So does Robin Martin-Oliver's warm, precisely placed counter-tenor, but there was nothing he could do with his costume. As Theseus, Zehava Gal revealed a mezzo warmly sumptuous of tone, sometimes bumpy of phrase and she, like some others, tended to decorate too recklessly. The most consistently satisfying performances came from Lynda Russell and Penelope Walker as the second pair of lovers (hangovers from the 17-century source): their music is mostly in Handel's light, playful vein, and they sang with effortless style and ease—quite enchanting.

The Devils/Battersea Park

Charlotte Keatley

In Battersea Park a great conversion took place on Sunday night. Running, screaming over rosebeds and lawns, lit by the green flicker of fireworks, a crowd of 6,000 was turned to the Devil. This is the work of 23 Catalan fanatics: Els Comediants, whose brand of pagan festivity has arrived from Spain courtesy of LIFT. Their stage spectacle, *Alé*, can be seen at *Sadler's Wells Theatre* until August 3.

The Devils is theatre on the majestic scale and participatory frenzy of ancient religious rites; in Britain we have replaced these with Royal Weddings and spectator sports. Our theatrical equivalents are companies such as Welfare State, born of the 1960s trend for clowning about on the street with giant puppets and home-made costume. Els Comediants replace earnest charm with full-blooded paganism: *The Devils* is an adaptation of a Catalan fire festival; it pre-dates Christianity, mummers' plays and Commedia dell-arte; it is fired by a culture thousands of years older than that of Spain.

Motivation distinguishes this company from their European contemporaries, whose concerns are vaguely left-wing, vaguely community and, paradoxically, date quickly. Els Comedians' purpose is to reaffirm Catalonia's language and culture, a sense of identity bursting forth with increased vigour since Franco's death and the advent of Spanish democracy. As often in theatre, specificity of ethnic origin endowed *The Devils* with universal emotions; witness the ecstatic audience response—slicing through cultural barriers—of celebration, and mutual rebellion against the constraints which every society places on the wild aspects of human nature. We danced beneath the trees, while babies howled and dogs ran for cover.

Evangelism makes captivating theatre, as Billy Graham knows. Els Comedians bypass the spoken word with a language of fireworks and spectacle. There was a tenuous narrative, and four discernible stages to the event.

First, attack: restless crowds clustering the lake at dusk, kept in anticipation for an hour, were suddenly bombarded with gold and silver rockets cascading over the water. A band of devil drummers, green-faced with crocodile jaws, swirled through the crowds, brandishing torches in onlookers' faces.

Stage two was conversion: we were led through woods ablaze with emerald explosions and purple smoke, which transformed urban park into orgiastic limbo. Enormous shadows of capering demons quivered tree-high, as they threw fire crackers beneath our feet, cackled, blew whistles, rattled bells and urged us forward beneath the Devil's flag. Centuries of tradition meshed: a blazing maypole was swirled about by Bacchic-masked figures dressed in jewelled, Elizabethan doublet and hose. A nordic winged dragon leapt through the throng, puffing fireworks from its nostrils. Deafening maroons split the sky into crimson umbrellas and corkscrews. It was a nightmare for the park policemen and intoxication for the audience: this is what is forbidden from childhood — to run among the fireworks, to play with fire. "Man, woman and miserable mortals, we come to awaken up the darkness! Do you want to dance?" shrieked Chief Demon. "Yes!" screamed the crowds and surged forward. The heathen was unleased in us all — and yet, simultanenously, an immense goodwill.

No mercy from the devils, however: now that we were a captive audience, they showered us with wet lettuce and flour bombs (I got a headful) and drove us towards the site of their finale. This was stage three, the moral—like all great theatre, a battle between good and evil. Scaffolding towers topped with gargoyles spitting gobbets of flame embraced a stage where the devils (one with an eight foot phallus of spurting stars) fought to the death. Enter white maidens of peace, waving white banners. A lull. And then, with swords of flame and a crescendo of gold fountains and red smoke, the devils rose up and conquered: evil triumphed. The crowd roared.

Stage four was the most subtle: it was simply that as the audience melted away into the night, there was an overwhelming sense of peace. This is surely theatrical catharsis at its most beneficial: we were exhilarated and exorcised. Truly a baptism by fire, to one of Europe's most spectacular theatre companies—and a magnificent coup for LIFT.

Roman Vespers/Barbican

Richard Fairman

Did Handel write a *Roman Vespers* in 1707 or not? Of all the questions raised in this tri-centenary year, none has been more keenly argued than this one or produced a greater mass of articles and counter-articles.

Recent research has shown that a number of Handel's Latin choral compositions might have been intended for a single festive occasion. But how, and why, they might be joined together has brought little agreement among academics. A BBC broadcast ten days ago (a judicious piece of timing) linked the existing items with plainchant. This Barbican performance, given by the City of London Sinfonia under Richard Hickox, offered a second, rival solution.

Emanating from University College Cardiff, this version is supported by a newly edited full score, scrupulously annotated. Despite the title it does not, of course, include a full *Roman Vespers*. Large gaps, which Handel may never have set, remain in the structure and the Cardiff team did not have available to them the antiphon "Te decus virgineum," which does exist. They have, however, added for good measure a couple of instrumental items from other works — surely an unnecessary luxury in the circumstances.

The result is, if not a fascinating piece, at least a fascinating collection of pieces. It includes for the first time the substantial motet "Seviat tellus," previously unpublished, an energetic display piece for soprano and orchestra in which the soloist, Elizabeth Lane, did not sound at all happy. (At one point it includes an unlikely pair of Ds in alt.)

Yet the best of the music remains in the better known sections. "Salve Regina," placed in the first part of the work, has a marvellously wandering chromatic solo as its beginning, sung at short notice with a lovely poise by Elizabeth Priday; and "Dixit Dominus," which opens the second part, has more than its fair share of inventive choruses.

In these the Richard Hickox Singers displayed a fine energy and accuracy. Even "Tu es sacerdos" with its amusing, chattering imitative entries was nimbly despatched at a very brisk tempo.

Soprano Nancy Argenta had the whole of Psalm 113, "Laudate pueri," to herself and sang it with such melting purity that one would gladly hear this part of the *Roman Vespers* by itself again in the future.

Aïda Augsburg

David Murray

While the Munich Opera Festival goes on its opulent way, another kind of festival proceeds in neighbouring Swabia, where prosperous little Augsburg is celebrating its 2000th anniversary. The Romans made a camp there in 15 BC, and it stuck.

Roman armour being hard to come by, the Augsburgers have preferred to go medieval for their Jubilee: there is Early Music in the pedestrian areas, and citizens in brave tunics and leggings, and even medieval food and drink (I drew the line at that). What Brecht, a native son, would have made of this *historisches Bürgerfest* —one hardly dares imagine but his birthplace has been piously restored as a museum.

For many years now Augsburg has had open-air summer opera "am Roten Tor" (the Red Tower marks one of the old town limits), where there is a craggy park. I retain happy memories of a *Macht des Schicksals*—aka *Forza del Destino*—a quarter-century ago, with the final trio belted out from opposite crags. The prospect *of this summer's Aida* (there being no suitably antique German opera) was irresistible. It proved remarkably satisfying, roughly six times as effective as the recent *Aida* fiasco at Covent Garden.

The logistics of any *Aida* production are fearsome; in a vast open-air playing area of Cinemascope dimensions, they would seem insuperably difficult—and besides, it usually rains in Augsburg. (Showers threatened all evening: the tuba-player looked especially hag-ridden.) There is a sunken orchestra pit, and around and above it two stage-levels, as the old city walls dictate. Hans-Ulrich's all-in set consisted of a temple on either side with stairs to the higher centre, all designed to merge indistinguishably with the original brickwork.

The swiftness and concision of Verdi's score are generally compromised in massive stagings; Werner Saladin's clean, incisive production, with a single interval, capitalised upon them. With a correctly enormous personnel from the Augsburg Philharmonic Chorus and the City Theatre distributed in far-flung places, the conductor Bruno Weil achieved not only miraculous ensemble but detailed subtlety. There was a resplendent Triumph scene, enhanced by scores of blazing torches and four dignified camels from the Zirkus Julian.

The principals, drawn from the ranks of promising international singers, offered much more than promise. Aïda was the young Romanian Sanda Sandru, affecting and pointedly stylish; she will mature into more passionate authority. For acting, the Texan Arley Reece counted as part of the masonry, but he sounded ruggedly committed—and a Radamès who can maintain a heroic note to the end needs little more than to look well-timbered and worried, which he did.

The Welsh Anthony Baldwin was an urgent, powerful Amonasro, and Rupert Straub's tendency to wander off pitch when unaccompanied hardly spoiled his uncommonly well-characterised and musical Ramphis. Best of all was the Bulgarian Nelly Boschkova's Amneris: striking and economical of gesture, evenly rich tone in all registers, sustained phrasing of individual distinction. I look forward to hearing much more of her.

As darkness fell (but not, luckily, rain) sound seemed to traverse the space in ever better focus. The Augsburg audience—which seemed to include as many American students as the Munich one does their parents—was immense, but raptly attentive. And quite right: no provincial makeshift this, but robust popular opera of a high order.

Idomeneo/Glyndebourne

Rodney Milnes

The outstanding qualities of this year's revival of Mozart's opera seria in Sussex have already been praised by Max Loppert in these pages, praise with which I wholeheartedly concur. Seldom, even under such distinguished conductors as Haitink, Pritchard, Britten *et* many *al*, has the raw dramatic power of the writing seemed so directly and so painfully conveyed as under Simon Rattle with the collective virtuosity of the LPO.

Last Saturday's performance saw the delayed house debut of Elizabeth Connell—happily recovered from indisposition — joining the cast as Electra, a role she has sung at Salzburg. A noted Ortrud, Eglantine and Vitellia among much else, it was to be expected that she should sink her teeth, with some relish, into perhaps the earliest operatic role in which an off-centre psyche is delineated in music with clinical precision. From her first entrance, when she flashed a smile at Idamante that would have felled a bullock at 20 yards, it was plain that this was going to be a big, bravura reading.

And so it was, at times almost too much so: melodramatic effects that would work at Salzburg were too generous for so small a house and drew unwanted titters in the third act (admittedly post - dinner - interval), titters quickly silenced by the sheer power of her singing.

Similarly, not all the vocal effects quite hit the target. Miss Connell commands a prodigious range of tone-colour and dynamic, from incisive, resinous *forte* to the merest *fil di voce*, all deployed within iron control of pitch (only in the treacherously written middle section of "Placido è il mar" did it momentarily waver). While this formidable technical armoury was wielded with consistent inventiveness, she may in the course of the run rethink the "white" tone used in the Quartet, weld what sounded bewilderingly like four different voices for "D'Oreste e d'Aiace" into a more coherent whole, and tone, down the *staccati* at the end of the aria, which on this occasion emerged as a *verismo* witch's cackle, thrillingly it must be said. It brought the house down.

This viscerally exciting impersonation will doubtless acquire more discipline during the run, in which context I should mention that there is a gala concert performance at the Barbican on August 16.

Exposé/ICA

Dominic Gill

Adrian Jack's MusICA continues its policy of providing every season a platform at the ICA for the work of lesser-known and unpublished, usually *young composers still on the* threshold of their careers. By definition the experiment, which is more in the nature of an artistic service, will rarely throw up masterpieces: but this year's list was all the same a disappointment—five premieres by five composers, all of them serious, orthodox, middle of the road and unremarkable.

The performers at Sunday's concert were Exposé, a new group founded this year by Michael Finnissy, Roger Redgate and Richard Barrett. *Nuptiae Carnales* for mezzo-soprano and four instruments by Paul Robinson (b.1949) was of the five premiered works the most technically assured, and the clearest about its aims: tonally oriented, spiced with archaisms (and a hint of Scottish snap), his little song-cycle really called for more rehearsal time, and a crisper performance, to make its most effective point.

For the rest, *Secrets* by Keith Bray (b 1949), also for mezzo and four instruments, was a recent piece, but bland and a little ponderous in effect, much less at ease in its vocal than its instrumental writing. *Requies* for the same combination by Jesus Alvarez (b 1960) had its brief arresting moments: but the whole was fragmented, awkward, uneven, without clear sense of direction.

Simon Waters's (b 1957) *Interiors* for two-channel tape also had its strong moments, but seemed greatly over-extended: 16 minutes long, but less than five minutes of really productive material. *Arearea* for flute, oboe, piano and percussion by Malcolm Hayes (b 1951) was not by any means without ideas—but they were so easily predictable: at every turn the easy option, rather than the risk, was chosen. The last page alone rose to its climax with sudden, arresting intensity. Here again, for the substance of the enterprise, 20 minutes was far too long. The mezzo soloist was Josephine Nendick.

Double Bill/Mumford Theatre, Cambridge

Rodney Milnes

Robin Orr's *Ful Circle* (1968) and Ethel Smyth's *The Boatswain's Mate* (1914), performed at the Mumford Theatre as part of the Cambridge Festival, make a satisfying double bill: both are about mock crimes that go wrong, one tragically, one comically, thus striking a classic tragedy/satyr play balance. The only problem is that the Orr is too short and the Smyth too long.

Far be it from anyone to complain of over-conciseness in opera, but at under 25 minutes Orr's one-acter, told in a musical language of Brittenesque lyricism, directness and economy, leaves one wanting more. The plot, once again hideously topical, tells of an out-of-work urban labourer, Davie, driven by poverty to stage a street robbery with an unloaded revolver; after celebrating his success (£16.0.10d) in the pub, he is involved in a brawl with a policeman and one fatal bullet left in the chamber brings about the denouement.

One wanted to know a little more about the quality of Davie's marriage at a level higher, perhaps, than what he and his wife would do with the money ("go to the pictures again") and more about the tenement neighbours to put the action in a wider context; there is a danger of such drastic brevity making the opera seem a mere anecdote rather than a properly motivated drama. Comparisons with, say, *Il tabarro*, a not dissimilar and only marginally longer urban tragedy, are instructive.

But the Cambridge Opera Trust's staging, most capably conducted by Mark Shanahan, made a strong case for the work, with performances by Michael Bundy and Jenny Miller that were properly heartfelt and, like the piece itself, without the slightest whiff of condescension. With a little more flesh on its well-formed bones, *Full Circle* would be a worthy contender for a toehold in the operatic repertory.

Ethel Smyth's *opéra-comique* was in the repertory for a while at Lilian Baylis's Old Vic. Here the crime is a mock burglary planned by the eponymous naval gentleman to nudge the reluctant landlady of the Beehive Inn into matrimony. But she, as hearty as Dame Ethel herself, trounces the burglar and—horror of horrors—falls for him. Collapse of naval party.

There are some good laughs in the *libretto* based on W. W. Jacobs, and Dame Ethel's score is a beguiling mixture of lightly worn German academicism and English folksiness overlaid with instrumentation of positively Gallic stylishness and grace—all this and a full-blown Straussian final scene for the soprano.

But at 80 minutes the opera is too long by a third, a fact that not even energetic comic performances by Katie White (Landlady), Robin Green (Boatswain) and Graham Stone (excellent as the reluctant burglar) could quite disguise. Miss White rose bravely to the demands of the finale, whipped up with infectious glee by Hugh Keelan from the pit.

Direction (Brian Anderson) and design (John Hall) for both pieces are unobtrusively first-rate.

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Opera and Ballet

TOKYO

Kazuo Ohno (Butoh): Though he eschews the Butoh tag, 79-year-old Ohno, father of modern Japanese dance, was involved in its founding. From the same source as Pina Bausch, his style is German Expressionist with Japanese overtones. The world's oldest professional dancer, Ohno gives his last performance in Japan before a visit to the Rimini Festival in August and New York in September. Studio B. Hikawa-dai Subway Sta. (Mon). (9939486).

PARIS

Arcar: Le Silence des Sirenes, contemporary ballet inspired by Kafka's universe with choreography by Daniel Dobbels and Christien Gerard. Espace Ronsard, 2 Rue Ronsard (2643131).

LONDON

Royal Opera House, Covent Garden: The Royal Ballet has two new ballets in triple bills. (2401066).

London Festival Ballet finishes at the Coliseum (8363161) with Ashton's new Romeo and Juliet and crosses the Thames to the Festival Hall (9283191) with its Coppelia.

Rudolf Nureyev dances Swan Lake with a Japanese ballet company at the Coliseum.

ITALY

Rome: Terme di Caracalla (summer season): Sylvano Bussotti's production of Turandot, with Gwyneth Jones and Galina Savora alternating as Turandot, and Diana Soviero and Miwakom Matsumoto as Liu. Daniel Oren conducts the opera, which uses sets and costumes (designed by Bussotti) imitating as closely as possible those commissioned by Puccini. (461755).

Verona: Arena di Verona: Aida – a repeat of last year's successful production based on the 1913 edition conducted by Daniel Oren and produced by Gianfranco de Bosio. Also Il Trovatore, conducted by Reynald Giovanetti and produced by Giuseppe Patroni Griffi, Attila conducted by Nello Santi and produced by Giuliano Montaldo. Giselle with Carla Fracci in splendid form and the young Charles Jude (from the Opéra de Paris) as Albrecht. Produced by Beppe Menegatti and conducted by Michel Sasson.

Macerata, Arena Sferisterio: Rigoletto conducted by John Mauceri with Cecilia Gasdia, Lando Bartolini and John Rawsley (49508 or 40735).

WEST GERMANY

Munich, Bayerische Staatsoper: Munich's annual opera festival until July 31 offers Norma in concert version. Margaret Price, Alicia Nafe and Franco Bonisolli are accompanied by the Bamberg Symphonic Orchestra conducted by Guiseppe Patane. Le Nozze di Figaro is of respectable standard with Teresa Zylis-Gara, Edith Mathis, Hermann Prey and Ann Murray. To commemorate Handel's 300th anniversary, Guistino, a Harry Kupfer production, is presented by the Lyric Opera Berlin. Die Meistersinger von Nürnberg features Bernd Weikl, Peter Schreier and Lucia Popp.

Bless The Bride/Exeter

B. A. Young

Musicals at the Northcott, Exeter, have a quality rare elsewhere, because the director, Stewart Trotter, likes to have his songs properly sung. His singers often have, like himself, an operatic background. Microphones are out.

Bless the Bride gives him extra opportunities because the lyrics are by A. P. Herbert, and so have more to say than "I love you" or "Why don't you love me?" and say it in decent light verse. The lyrics fill almost all of the book. There is little spoken dialogue, and Vivian Ellis's music can swing across a variety of moods.

The story is set in the year 1870, when the French are daily expecting to be invaded by the Prussians. But at the Sussex home of the Willow family, conjured up in a series of pretty stage designs by Sarah-Jane McClelland, the French are involved in nothing more urgent than introducing lawn tennis as an alternative to croquet, until Lucy Willow, on the very eve of marriage to silly Tom Trout, falls in love with Pierre Fontaine and elopes with him to France.

The family, following the traditional Willow pattern of comic Englishmen abroad, track them down to Eauville. Just as Tom is about to challenge Pierre to a duel, war is declared, Pierre goes off to fight more seriously, is reported dead, and the Willows go back to Sussex. Preparations for the Trout wedding are revived. But with truly operatic improbability Pierre reappears fit and well, and the sentiments of "This is my lovely day" restore him to Lucy.

No doubt it is old-fashioned, sentimental and dramatic, but if a play cannot be dramatic there is a wrong principle at work. In *Bless the Bride*, words, music and sentiment carry the story from one delightfully dramatic moment to the next.

The Northcott production is pretty to look at and pretty to hear. Jan Hartley as Lucy sings like an angel, and is splendidly partnered by the resounding-voiced Philip Creasy as Pierre, though I should find him more romantic without a beard. Tom has the lighter stuff; a patter-song in the first scene that Christopher Snell handled expertly sets the style. From a big company I specially liked Eric Roberts as Lucy's father; soubrette Michelle Todd as Pierre's frivolous girl-friend and Patricia Lambert as Nanny, with her almost Brechtian singing of pre-marital advice, "Ducky."

The dancing is well laid out by Mike Field who deploys his 24 players, or 30 if you include the children at the party, very effectively about the stage. No doubt about it, this was "our lovely day," and Vivian Ellis, 80 this year, rounded it off with a happy curtain-speech as old-fashioned and pleasant as the play itself.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

"WE HAVE done things that we could never have done as part of the old group. We control the business. It no longer controls us."

Those words, from George Bond, chairman of Bain-Green, a Manchester-based maker of display and point of sale items for corporate promotions, express the positive side of what it is like to be at the helm of a management buy-out.

Yet Bain-Green has had to struggle hard to return to the black since Bond and his finance director, Peter Wilkins, bought the loss-making company for £100,000 from its former parent just over three years ago.

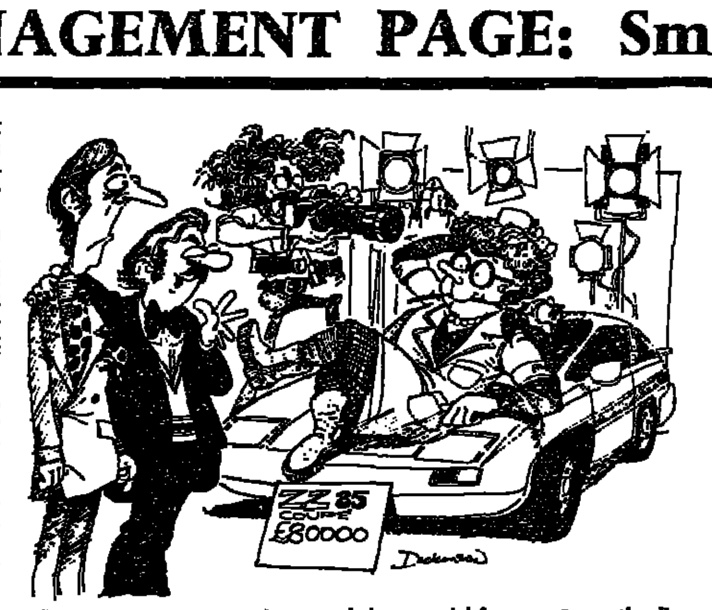
The key to Bain-Green's rebirth has been a subtle but fundamental change in its pricing policy, which is now richocheting through every aspect of the company's activities. Since its explanation of the way the new policy has worked gives away trade secrets to competitors, names, products and the location have been changed. In all other respects, the details are authentic.

Bain-Green's experience contains an important message for the many small businesses which are loath to take an aggressive pricing stance because of the risk of losing sales. The company has indeed lost customers — though some have returned — but it has shown how tougher pricing can improve the quality of the business that remains, while at the same time forcing the directors and staff to take a more disciplined approach to other aspects of running their company.

The policy change is deceptively simple. Bain-Green used to fix prices by adding a profit margin to unit cost figures which were usually a month out of date. Now prices are fixed by using an easier and quicker sum — which even its humblest machine operator can understand — based on the factory's notional hourly running costs, though Bain-Green still uses the old unit cost method for monitoring.

Each member of the 35-strong workforce knows that the plant costs on average £15 per hour to run: a rough calculation by the management based on budgeted overheads — all costs minus raw materials — for the year ahead. Their worksheets tell them what part their particular jobs play in recovering that overhead and adding value, or profit, to it.

They must complete their tasks within a fixed time and within a certain limit for materials wastage if that job is to be profitable. The directors quickly know, by applying this rule of thumb, when the added value being produced falls below target.



"To cut costs we've used our tea lady to model for your promotion"

Pricing for a better pay off

William Dawkins analyses a recovery

"All you need to know is the hours per job," explains Wilkins. "Multiply that by £15, add freight, and if the result is less than the sales value (which obviously includes the cost of raw materials), you are making a loss."

The results have been to enable the sales team to quote faster and more aggressively for jobs thanks to the better quality of information available to them, to give the directors a clearer idea of which contracts they are prepared to accept, and to intensify employees' awareness of the impact their smallest actions can have on profits. "Now they are less likely to walk over a piece of board that costs 30p," says Maurice Cliff, the sales director.

Operating costs, not prices, were at the forefront of Bond's mind when he took control of Bain-Green in May 1982. The company had lost £100,000 on sales of £800,000 in the previous year, thanks chiefly to a generous wage agreement which set its employees' pay on a par with what their equivalents were earning in the most profitable divisions of the old parent group.

Bond's staff had seen enough company closures around Manchester to recognise the genuineness of his pleas for wage reductions. They accordingly accepted a £60,000 overall cut in the £200,000 wage bill.

Other savings brought Bain-Green's fixed costs — including labour — down by £90,000 to £350,000.

But that was not nearly enough. In the next trading year to March 1983, sales had fallen to £700,000 while losses were still running at a sobering £70,000. "It was costing us too much to sell too little," says Bond. Wilkins estimated that Bain-Green might break even if sales could be driven up to £1m, but that was on the unlikely assumption that extra work could be found at the rights price. Three of the five-strong sales force were persuaded to leave voluntarily. Bond and Wilkins could see no way to screw down overheads further —and price increases looked out of the question.

It was then that the company's venture capital backers, who put up three-quarters of the original purchase price, explained to the directors the "value added" method of pricing. The aim of trying this method was not to drive prices up — they have overall stayed roughly the same since then — but to be aware more quickly of unprofitable contracts and to avoid them.

The changeover was instant. "We had all the information available, but we were just not using it in the right way," says Bond.

Wilkins claims that he knows exactly how much profit he has made on any single contract within a week of its leaving the factory, which compares with a month under the old pricing system.

Admittedly, some prices did have to be increased on contracts which were shown by the new system to be unprofitable, with the result that six of Bain-Green's 200 customers left. But margins on some other contracts proved to be so large as to leave Bain-Green vulnerable to being undercut by competitors. So the directors promptly reduced those in line with their target of achieving a 35 per cent margin over production costs, telling the customers concerned that they were no longer being charged for the expense of buying tools for those particular contracts.

Bain-Green's pricing bluff was really called, however, when one of its biggest customers, a top clearing bank, asked it to quote for 50,000 leaflet containers. The company's price, 17½p per unit, was significantly above that offered by a close competitor.

Bond refused to budge — even though the bank was hinting at larger repeat orders to come — with the result that the order was halved, with the rest going to Bain-Green's nearest competitor. Eight weeks later, Bond received a phone call from a disgruntled bank purchasing manager. The competitor's products were of unacceptably poor quality and Bain-Green was immediately asked to supply 250,000, five times as many as in the original contract. The order, worth £42,500, was at a silghtly lower price — 17p — but the specifications had also been reduced. The competitor was struck off the bank's tender list

"At one time in the past, we might have been tempted to take on that job just to keep the wheels turning. But it would have been costing us £2 an hour to do that job at the old price," says Bond.

The figures certainly indicate that the medicine is working. Losses were more than halved to £30,000 on turnover up to £850,000 in the year to March 1984, and Bain-Green managed a £90,000 taxable profit on sales of £1.6m in the following 12 months.

Inevitably, Bain-Green's new strategy has left its prices at the top end of a fragmented industry inhabited by hundreds of small businesses like itself. At least two of them have started to guarantee to customers that they will undercut Bain-Green by 5 per cent. For the time being, at any rate, Bond is undismayed. He promises: "We'll hold our position."

Determination is the mother of invention

John Kitching on a breakthrough in DIY

IN THE era of Do-It-Yourself, Anthony Blaine has done it himself. The 38-year-old biology graduate gave up selling fabrics and spent four years inventing and patenting a DIY device.

Now, with the aid of Prutec, the high-tech venture capital arm of the Prudential, he is established in a converted cowshed in Cambridge, and his company, Pentabridge, expects turnover of £500,000 in the year to April 1986.

But his path has been riddled with pitfalls.

His first idea was for a new hinge, and having had two agents write patent applications for it, he tried to license it. "I didn't have the confidence to go ahead alone, and thought a well-known name might be helpful." From this he learned three things: he could write his own patent applications; it is very difficult to license ideas to companies; and a device which would retail for about £2 but sell in relatively low volume was not seen by manufacturers as particularly worthwhile.

So he decided to stay with DIY and invent something which would retail within the £10-£20 bracket. He also decided—for the first time—to undertake some market research.

Blaine discovered that kitchen units were widely made by DIY enthusiasts despite the fact that many were available in self-assembly form. "Therefore, I proceeded to look at ways of developing a product which would enable people to buy doors and board materials 'off the shelf' and use them to build their own units."

Cabinet Mate is the name he has given to the jig system he devised which makes easier the assembly of home storage units. It holds doors and panels in place, ensuring that they remain secure, and automatically identifies screw and hinge positions ready for fixing.

By 1981, he had prototypes of Cabinet Mate which he could demonstrate to companies. But, to his dismay, after visits to between 40 and 50 companies, he found himself up against the "we won't take it because it wasn't invented here" attitude. One big company wanted to market Cabinet Mate, but would only agree to patent it in the UK. Others said it might be suitable in a year or two.

Then, after reading in newspapers about Prutec, he decided to contact its organisers. Prutec saw possibilities in his invention, and by Christmas Eve, 1981, an agreement had been signed whereby Prutec put in "sufficient money" to pay for patenting in 21 countries. Cambridge Consultants were called in to redesign Blaine's original business idea, and make it more commercially viable, and Venture Link, financial intermediaries, helped him put together a business plan.

Several months later, the project won financial backing from Guardian Royal Exchange and the Water Authorities Superannuation Fund.

Blaine says he has learned several things from his experiences.

"As an inventor, you must know your prices, your manufacturing costs and your marketing overheads. After that, confidence in your product and a determination to see it become successful are essential," he says.

He says that he found most UK companies "remarkably forthcoming" when he approached them for advice. "I must have spoken to 40 or 50 companies, seeking help on product development, and they were all very good about it."

He now has UK outlets for Cabinet Mate which include Texas and B and Q, and at a trade fair in Cologne in March this year, buyers from 29 countries expressed interest in selling his product. Cabinet Mate was also awarded a Blue Ribbon by the organisers of this year's London Ideal Home Exhibition.

Parts for Cabinet Mate are manufactured at Wragby Plastics in Lincolnshire and at Plasmatic in Leicester. The Cambridge office houses Blaine, his finance controller and his sales manager.

Blaine is confident that expansion will come soon. "We are seriously negotiating with companies in Belgium, Holland, Finland and Switzerland, and anticipate that a large part of our business will come from abroad.

Meanwhile, Saw Mate, a tool complementing Cabinet Mate is being developed. "I have the mind of the inventor," says Blaine. "I recognise problems, and then try to seek answers to them. Sometimes the answers are surprisingly simple."

In brief...

HOW TO become a franchisor and how to avoid the potential pitfalls are among the questions to be answered at a one-day conference on franchising to be held on September 11.

The conference, entitled Franchising: The Way Forward for Growth and Business Expansion, is jointly sponsored by the Institute of Directors and the British Franchising Association. It will be held at the institute's headquarters, 116 Pall Mall, London, SW1Y 5ED. Details from Lyndsey Peate. Telephone 01-839 1233.

•

HAMPSHIRE Development Association, the publicly and privately funded marketing and development body, is to hold a seminar entitled Keep Your Business Competitive on September 19.

Speakers from chartered accountants Thomson McLintock, Lloyds Bank, will cover subjects including tax planning, microcomputers, and National Insurance.

Tickets for the seminar, which takes place at the Recreation Centre in Farnborough, cost £40.25. Details from the HDA at 13 Clifton Road, Winchester, SO22 5BS.

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FREE ADVICE for people thinking of setting up a stand in one of London's many street markets is on offer in the latest leaflet from the London Enterprise Agency.

The guide lists the biggest markets, the procedures for booking a stand in them, how easily space can be obtained and who to contact.

Running a Market Stand is available from the agency at 69 Cannon Street, London, EC4N 5AB.

Catalyst for a database

THE current dearth of information on the creation of small businesses in the UK will become a thing of the past if Professor Susan Birley has her way.

Birley, 41, is to become Britain's first research professor in small businesses (and the first female professor to be appointed to a business school) when she takes up her post at Cranfield School of Management in September.

There she will head a new small business research centre, which will compile a national database of small firms in an attempt to assess whether they are as prolific job creators as their U.S. counterparts. According to the U.S. Small Business Administration, enterprises with less than 20 employees generated 924,000 jobs—all of the net new employment in the economy—between 1980 and 1982.

"A lot more work needs to be done in this area but it will take quite a while to build up a kosher monitoring system," says Birley. In this, she will be drawing on her experience in the U.S., where she has just spent three years studying the role of small businesses in industrial regeneration at the University of Notre Dame in Indiana.

Her research will be particularly directed towards trying to log enterprises which are too small or too short-lived to figure in the most widely used records. Other projects in the Birley pipeline include examining the links between large and small businesses and the difficulties that family-owned companies experience in passing down their businesses to new generations. Birley estimates that up to 90 per cent of the UK's small firms are, or were, originally family owned, of which only a third have been passed down through generations, with the rest being sold or closed.


Susan Birley: experience in the U.S.

Birley and the three full-time researchers she has yet to appoint will clearly have their work cut out. Before the centre can get off the ground she needs to raise £500,000 from private-sector sponsors.

However, as a founding director of Guidehouse Securities, a mini merchant bank for small companies, Birley should know all about twisting people's arms for finance.

WD

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APPOINTMENTS

Regional board posts at National Girobank

NATIONAL GIROBANK has set up a north-east regional board with **Mr Michael Mallett** as chairman. **Mr Rupert Crane** has been appointed chairman of the bank's Midlands regional board to succeed **Mr David Justham**, from September. Both are part-time non-executive appointments. Mr Mallett is chairman of Record Ridgway (Holdings); Ayre Mallett and Co; and Radio Hallam. He is also deputy chairman of Tysack Turner. Mr Crane is assistant managing director of IMI. Mr Justham has been appointed chairman of Central Independent Television.

★

Mr Peter Vickerman has joined EROS MAILING CO., as financial director and company secretary. He was a director of Guy Salmon.

★

Mr Roger Q. Bowley, assistant general manager of THE EQUITABLE LIFE ASSURANCE SOCIETY, became assistant general manager and secretary in succession to **Mr Bernard J. Coode**, who has retired. **Mr Alan Nash** has been appointed assistant general manager. **Mr Roy H. Ranson**, assistant general manager and joint actuary of The Equitable Life Assurance Society, has additionally been appointed manager and elected a director of University Life Assurance Society in succession to **Mr Howard W. Johnson** who has retired. **Mr David G. Thomas** has also been elected a director.

★

The LONDON ELECTRICITY BOARD has appointed **Mr Gordon E. Stewart** as personnel director. He has been industrial relations manager for LEB since October 1980. Mr Stewart succeeds **Mr A. I. R. Dow** who has decided to retire from the board once his current period of secondment as a director with Business in the Cimmunity has ended.

★

Mr Melvin John Deakin has been appointed an additional director of C. E. HEATH AND CO. (NORTH AMERICA).

★

DEVITT GROUP has made the following appointments from August 1: **Mr A. M. Richardson** to be a director of Devitt (North America); **Mr T. Primrose** to be a director of Devitt ((Aviation); **Mr A. L. Gossage** and **Mr G. R. Leggett** to be assistant directors of Devitt (Energy).

★

Mr Benny Pedersen, managing director of Comcap's operation in Denmark has been appointed to the board of COMCAP. Comcap has made the following reorganisation of board responsibilities: **Mr Ernst Schneider**, formerly non-executive chairman, becomes executive chairman. **Mr Nicholas Kennedy Scott**, formerly joint managing director, becomes managing director. **Mr James Rumbellow**, formerly joint managing director, becomes managing director of Comcap Resources, the group's subsidiary specialising in the recruitment and supply of computer personnel. **Lord Selsdon**, formerly non-executive director, becomes non-executive deputy chairman. The other board members, **Mr Michael Dudley** and **Mr Helmut Gottinger** continue as managing director of Comcap's computer leasing and broking operations in the UK and West Germany respectively.

★

Four directors have been appointed to THORNTON BAKER ASSOCIATES, management consultancy arm of chartered accountants Thornton Baker. **Mr Peter Carne**, advises on financial planning and management information systems, based in London. He was formerly a partner in the Africa firm of Price Waterhouse. **Mr Derek Hindley** advises on corporate strategic planning. He was with Urwick Orr, and will be based in London. **Mr Hugh Duncombe** a former director of Urwick Orr, is based in Bristol, with responsibility for the practice in the south-west and for developing human resource consulting services. **Mr Hanson Hayes** leads the practice in Leeds and is responsible for the public sector work in the north. He is a former chief executive for a district authority.

★

Mr Robin Walters has been appointed managing director of MATTHEW CLARK AND SONS. He will remain group marketing director. **Mr Ivor Thomas** has been appointed finance director.

★

ADS OFFICE AUTOMATION has appointed as non-executive director **Mr John Saxton**, until recently senior director of Panasonic Industrial UK.

★

Mr Roger S. Scothern has been appointed a director of ZIEHL-EBM (UK), an associate company of Ziehl-Abegg and EBM of West Germany. He was previously general manager.

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

MITSUI & CO., LTD.

EDR holders are informed that Mitsui & Co. has paid a dividend to holders of record March 31, 1985. The cash dividend payable is Yen 2.5 per Common Stock of Yen 50.00 per share. Pursuant to Clause 4 of the Deposit Agreement the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.
EDR holders may now pres.nt Coupon No. 33 for payment.
Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after October 31, 1985.
Amounts payable in respect of current dividends.

Coupon No. 33 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1 share	\$0.010593	\$0.009004	\$0.008474

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB
July 30, 1985

NOTICE TO HOLDERS OF BEARER DEPOSITARY RECEIPTS (BDRs) IN

HITACHI, LTD.

BDR holders are informed that Hitachi, Ltd has paid a dividend to holders of record March 31, 1985. The cash dividend payable is Yen 5 per Common Stock of Yen 50.00 per share.
BDR holders may now present Coupon No. 4 for payment.
Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after October 31, 1985.
Amounts payable in respect of current dividends.

Coupon No. 4 BDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1 share	\$0.020096	\$0.017081	\$0.016077

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB

July 30, 1985

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

SUMITOMO ELECTRIC INDUSTRIES, LTD.

NOTICE IS HEREBY GIVEN that Sumitomo Electric Industries, Ltd. has elected to terminate the Deposit Agreement effective Septembr 30, 1985.
All outstanding EDRs (together with all unmatured Coupons appertaining thereto) should be presented to the Depositary or its Agent at the offices shown below, and EDR holders shall be entitled to obtain delivery of the Deposited Property relative to such EDR, subject to Condition 1(C) of the Terms and Conditions upon surrender thereof free of the charges specified in Condition 16(A).
After the expiry of the period of 90 days following the date of termination, the Depositary may sell the Deposited Property then held under the Deposit Agreement and may thereafter hold the net proceeds of any sale for the benefit of the holders of EDRs.

Depositary:
Citibank, N.A.
336 Strand
London WC2R 1HB
July 30, 1985

Agent:
Citicorp Bank (Luxembourg) S.A.
16 Avenue Marie Therese
Luxembourg

PETRO-CANADA INC.
US\$125,000,000

Guaranteed Floating Rate Notes due January 1995

Notice is hereby given that for the Interest Period commencing July 31, 1985 the Notes will bear interest at the rate of 7.70% per annum. The interest payable on January 31, 1986 against Coupon No. 2 will be US\$39.36 per US\$1,000 Nominal.

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The interest rate applicable to the above Notes in respect of the six month period commencing Tuesday, 30th July 1985, has been fixed at 8¾% per annum.
The interest amounting to \$44.08 per U.S.\$1,000 principal amount of the Notes will be paid on Thursday, 30th January 1986, against presentation of Coupon No. 5.

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Tuesday July 30 1985

The future of coal

IN WINNING the coal strike earlier this year, the Thatcher Government prevailed in the longest and most bitter industrial dispute for many decades. Yet, having won the war, there is now a danger that through excessive caution, based on historical fears rather than present realities, the *Government could proceed to* lose the peace. The risk is that despite the quite ambitious financial targets set for the next two years, involving break-even by 1987-88, an opportunity for permanently and fundamentally altering the structure of the industry will be missed.

Coal is a business like any other, as is well illustrated in the National Coal Board's 1984-1985 accounts. Even if imports are ignored, coal is not the essential and indispensable commodity suggested by union mythology. Different energy sources can substitute for one another: in 1984-85, for example, oil consumption rose by about 40 per cent and coal consumption fell by a corresponding proportion. The huge shift was the direct consequence of the strike; but in future, changes in the relative prices of different energy sources may well require big adjustments.

Present forecasts suggest that the adjustment for the UK coal industry has to be in one direction—down. The NCB expects demand from every source besides domestic industry to shrink. In the next four years, it is thought to be planning extensive pit closures—a bigger programme than was involved in the capacity cuts which sparked off the 1984 strike. The longer-term outlook may be brighter; a well-run and efficient UK coal industry might, at some point in the 1990s, need to expand capacity, especially if it proved capable of penetrating the main export markets.

Inflexible

The real need is for an industry which is flexible and capable of responding quickly even to marginal changes in market conditions. The main lesson of the past few decades is that a state-owned monopoly, having ceded excessive power to a militant union, is the worst possible industrial structure. The doubling of coal stocks to more than 50 per cent of annual production between 1979-80 and the outbreak of the strike was a vivid illustration of the NCB's *inflexibility—its inability* to match output to demand. The task for the Government is to think beyond 1987 and devise a flexible structure which will be viable in the 1990s and the next century.

A virtual taboo seems to inhibit serious discussion of alternative structures for the coal industry. This could have serious consequences. It is no use waiting until 1987-88 to see if the NCB has by then achieved financial breakeven. One important lesson of this parliament is that big structural changes cannot be sprung on people. *It is no accident* that when the Government has thought aloud and planned ahead carefully—for example in trade union reform—it has achieved radical change with surprisingly little fuss. *Where* it has failed to plan properly—for example in local government or social security—it has run into impassioned opposition.

Message

The message is clear: the Government needs to start thinking aloud very soon about the structure of the coal industry after 1987-88. It will have to say something cogent about coal in its next election manifesto. More is required than the mere "restoration of normality" in the industry; the present pruning and decentralisation are steps in the right direction but do not go far enough. So long as coal remains a state-owned monopoly, there will be no long-term security against weak management and inflexibility. The Government's own philosophy suggests two obvious ingredients for a new-look coal industry: privatisation and the introduction of more competition.

How private capital and competition are introduced into the industry matters less than general acceptance that this is the right long-term approach. But for history and its poor economic performance, coal is intrinsically one of the best candidates for privatisation in the public sector. In economic terms its denationalisation makes much more sense than that of gas or telecommunications; coal is not a natural monopoly. There are no important economies of scale in the industry. The options for different forms of ownership and structure—including employee buy-outs—needs to be seriously debated; while the future of the core collieries is under discussion, a start could be made by preparing the *NCB's many non-core ancillary* businesses for public sale.

Hard road for Uganda

IF A glimmer of hope for Uganda can be found in the events of the past few days it lies in the announcement by the new military Government that it will hold elections for a return to civilian rule in 12 months. If the poll, unlike the election of December 1980 *which returned ex-president* Milton Obote to office, is free and fair, Ugandans may at least be able to set about the task of reconciliation and economic rehabilitation from a sound footing and under the guidance of a representative government.

Rivalry

The early hopes that Dr Milton Obote was the man for this job have proved ill founded. His failure to control his badly trained army, the brutality of his security agencies and the thuggish nature of the Uganda People's Congress youth wing began to outweigh the merits of his first three years *in* office: an economic policy which, had it been sus*tained, held out the hope of* a gradual recovery.

But the circumstances leading to Dr Obote's overthrow and the nature of some of the personalities involved offer little ground for optimism that a new and happier era for Uganda has begun. The motives of the coup leaders appear to stem more from tribal divisions than *concern about human* rights, economic reforms or a yearning for democracy. At the heart of the tensions, it seems, is the rivalry between the two main tribes, both northern, that dominate the army. The Acholi increasingly resented Dr Obote's promotion of his own tribe, the Langi. If the composition of the ruling military council, *yet to be announced,* shows that the new military leader, General Tito Okello, has extended the current narrow base of his administration that will be welcome.

Other misgivings need to be set at rest. General Okello, who was the armed forces commander under Dr Obote, carries as much responsibility as anybody for the brutal military campaign waged in the notorious Luwero triangle outside Kampala, stronghold of guerrillas of the National Resistance Army (NRA). If General Okello and other senior army officers now running Uganda could not control and discipline their men then, there is no reason to hope that they can do so today.

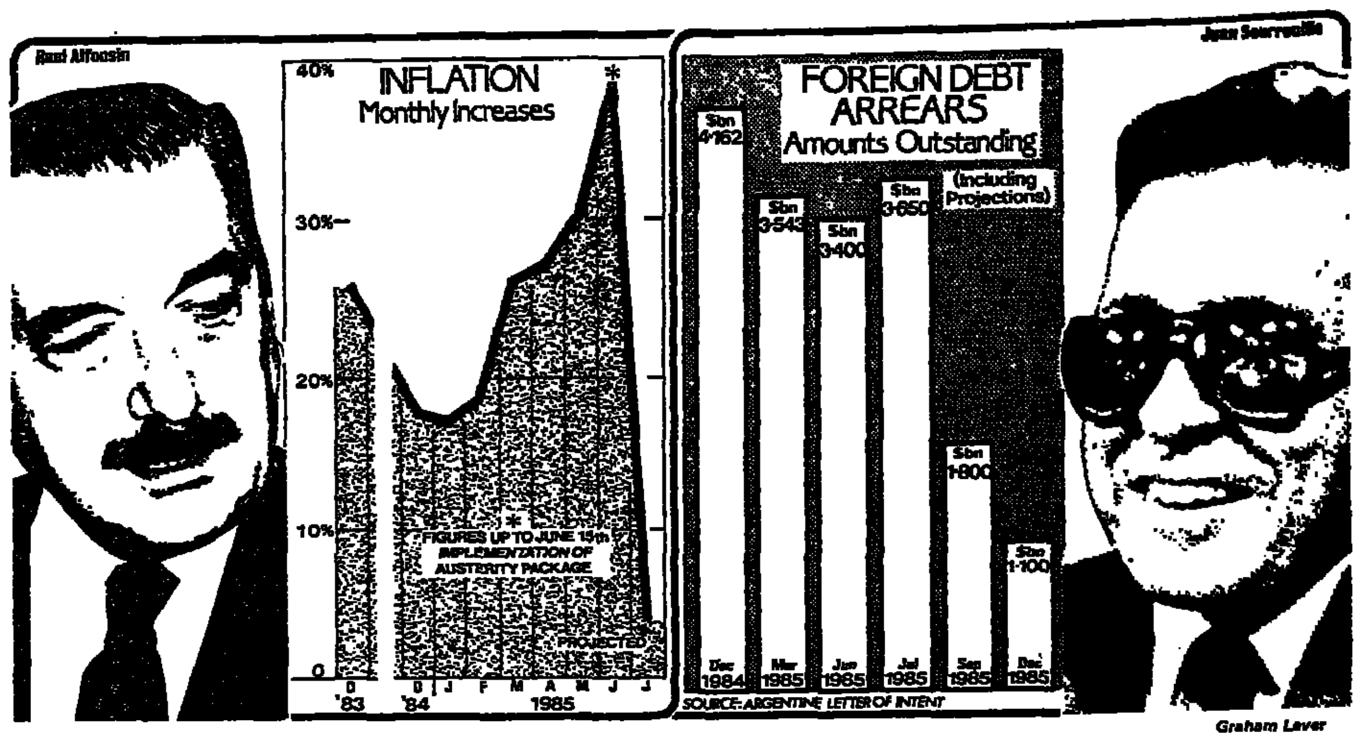
Compounding the difficulties posed by a tribally divided army is the presence of the NRA it*self, led by Mr Yoweri Muse*veni. Although the NRA undoubtedly contributed to the pressures on the last government, its role in the coup is not immediately clear. Mr Museveni's presence in Sweden at the time of the coup does not suggest a direct involvement. Undoubtedly his participation in any transitional government is essential if peace is to be restored. But Mr Museveni had a less than distinguished role as defence minister in one of the administrations that attempted to govern Uganda in the interegnum between the overthrow of General Idi Amin in 1979 and the election victory of Dr Obote at the end of 1980. Another key figure is Mr Paul Ssemogerere, *who has played a* brave but ineffectual role as head of the Democratic Party and has yet to show the qualities of leadership that Uganda needs.

Problems

It is enough to drive to despair the donors who came to Uganda's assistance after Amin's overthrow. *Once again* they confront a looted Kampala, an administration in disarray, at least three armed factions, and some familiar faces at the top who have failed to resolve the country's problems in the past.

If the new government receives a cool response to the appeal for aid that it will probably *deliver, it should not be sur*prised. Uganda's problems stem from ethnic divisions, deep historical antipathies, and a leadership both civilian and military which has failed to rise to the challenge. Until these problems are resolved even the most carefully drawn up economic recovery programme will be to no avail. In the 12-months leading up to the promised elections a sceptical world will be watching to see whether General Okello offers a real alternative to Uganda's sad decline.

ARGENTINA'S AUSTERITY PACKAGE



Graham Lever

Alfonsin clears the first hurdle

By Robert Graham in Buenos Aires

EVEN THE shoe shine stands in *Buenos Aires* have put up home-made signs with fixed prices. Much to every Argentine's surprise, it has become a matter of patriotism to co-operate with the prices freeze introduced six weeks ago by President Raul Alfonsin as part of a Draconian austerity package.

More remarkable still, President Alfonsin is riding on a wave of popularity. Despite having opted for a far more drastic prescription than that proposed by the much disliked International Monetary Fund, his standing in the opinion polls has suddenly shot up and continues to rise. The same accolade has been given to the Economy Minister, Sr Juan Sourrouille, even though he has bluntly told Argentinians they are going to suffer hardships.

The austerity package has *thus overcome the first and* greatest hurdle. The public has accepted the need for a siege economy.

Besides decreeing an indefinite prices and wages freeze, *President Alfonsin has pledged* to print no new money until the fiscal deficit is eliminated. He is planning to accelerate the privatisation of state companies and proposes even greater government spending cuts than agreed with the IMF—the 1985 budget is being cut by a further 12 per cent. Utility tariffs and oil prices *have been raised 36 per cent* in real terms.

It is clear that Latin America's most audacious experiment in austerity is working in its early stage much better than either the Government or the normally sceptical Argentine public anticipated.

Inflation, which was running close to 40 per cent a month *before the measures were* introduced on June 15, is now down to 4 per cent a month.

The adoption of a new currency, the austral, has caused little confusion, notwithstanding continued use of the old peso notes. These now seem curious historical relics. A 1m peso note still circulates, which in July 1983 lost four zeros to become 100 pesos and since June has been bereft of a further zero, becoming 10 cents—a generous tip for a coffee.

The situation has no parallel among any Latin American debtor, and for the moment it goes against received wisdom that really tough orthodox economic measures are politically too risky, all the more so *in Argentina with its large well* organised trade union movement run by the Peronist opponents of President Alfonsin's Radical government.

Nevertheless, President Alfonsin has undertaken a gamble which will require constantly acute political antennae and very sophisticated economic management. Failure will put at risk Argentina's social stability and its newly-won democracy. The repercussions of what happens over the next few months will be felt well beyond Argentina. If the plan does not work the none-too-firm faith of Latin American governments in orthodox economic solutions to cop with their foreign debts will be undermined.

Together, the austerity moves are expected to cut the public sector deficit to 4 per cent of GDP—or 2 per cent less than was agreed with the IMF on *June 11 and a quarter of pro*jections made early in the year.

"It is the first time that a Latin American debtor has opted for stricter targets than those laid down by the Fund," a central bank official commented proudly.

Argentina also intends to have wiped out all but $1.1bn of arrears on its $48bn foreign debt by December—arrears which in December last year totalled $4.1bn. IMF approval of the new programme should be granted within the next two weeks, so enabling Argentina to draw on a much-needed tranche *of a $4.2bn commercial* bank loan already negotiated.

The President's advisers admit he should have acted sooner, but point out he needed *to be convinced there was no* alternative. His initial instincts, and the advice he was originally given, were against being dictated to by the IMF, which perhaps explains why he has now gone beyond their terms almost out of pride. He apparently made up his mind to act more than three months ago on the urgings of Sr Sourrouille, *who replaced the President's* friend, Sr Bernardo Grinspun, as Economy Minister.

The decision was influenced by a mood of pragmatism he *detected in the unions* and public exasperation at living with hyper-inflation.

His timing was perfect and the announcements sheer audacity and the secrecy with which it was prepared in a usually gossipy society gave added impact. People are still stunned. The atmosphere in Buenos Aires is a bit like the begin*ning of a collective Lenten fast* from which everyone, and the country, will emerge chastened and hungry, but with renewed vigour.

The sense of collective sacrifice is very much President Alfonsin's doing. During 18 months in office he has proved himself modest, fair-minded and incorrupt, giving Argentines a sense that he is governing above party.

Sr *Sourrouille and his* economic team closely studied the Israeli example of introducing new currency and freezing wages and prices. "We do not want to make Israel's mistake of freezing wages and *prices, and being unable to* control government spending," says Dr Mario Brodersohn, Secretary of the Treasury. "We will not print more money until we have settled the fiscal deficit."

> No one in government is rash enough to provide a time-frame for the wages and prices freeze

Cynics say the government printed so much money prior to the measures that it has ample stocks. An unofficial estimate is that the money supply increased 56 per cent in the 30 days before June 15. The authorities regard the subject too sensitive to give details. But new austral notes—to replace temporarily franked Peso notes and the old Peso notes themselves—will not be introduced before October.

Ironically, money supply problems were exacerbated by the inflow of funds attracted by the new currency and the high interest rates. By the end of June almost $800m had come in and the figure is now beyond $1bn.

Grain and meat exporters took advantage of regulations that allow them to obtain pre-financing for their exports up to 180 days.

With high inflation and a depreciating peso, exporters *normally* wait until the last minute; but since June 15 they have cashed in their pre-financing, so causing problems of excessive liquidity.

"We should have acted more quickly but we never expected to be so successful in attracting funds," says Dr Brodersohn.

The government has subsequently cut the period for which pre-financing *for exports is* available from 180 to 30 days. It has also been obliged to mop up liquidity by this week issuing telephone bonds, and raising interest rates against its wishes.

No one in government is rash enough to provide a time-frame for the wages and prices freeze. Sr Roberto Lavagna, a dissident Peronist economist now working with the government team, reckons the freeze could last at least six months.

Dr Brodersohn talks more abstractly. "The freeze is temporary but it will last until we have broken the cycle of inflationary expectation," he says.

The belief in a constant spiral of inflation has bedevilled Argentina for years and has so conditioned behaviour that people are simply unused to the idea of waiting to buy something.

Now at a purely popular level a measure of confidence *has been established in price* stability. People did not rush out to convert their June wages into dollars.

But the powerful and highly speculative financial community is not yet convinced. "We have not gained proper credibility yet from the financial community. They will give us this credibility when they believe in *our pledges not to print* money," says Dr Brodersohn.

The scepticism is shown in the continued spread between the official and the parallel austral rate against the dollar. The spread is down to 13 per cent of an official rate of $1 to 0.77 australes (this compares with a spread of 37 per cent in Brazil.

Central bank officials claim that the parallel market in the past six weeks has been cut to less than half its former daily turnover of $40m. Some money market nervousness reflects the view that the government should have freed foreign exchange controls—but officials say Argentina's *foreign obligations* are too large for such a risk.

The real concern of the financial community is that the government cannot slim down its own operations, especially those of the provincial governments, and that it will be obliged to find new resources to shore up a number of shaky financial institutions. The recent collapse of the large *commercial* bank Banco de Italia remains fresh in the memory.

The austerity measures will begin to bite in August. Workers will have used up the cushion of their month's extra pay in June for the southern hemisphere winter holiday. The pace of recession has been accelerating since January and the problems of *manufacturers* are now compounded by the new squeeze on borrowing and the cutbacks in government spending.

"If nothing is done by the end of August up to 1m people—10 per cent of the workforce—are going to be either redundant, laid off or working short time," warns Sr Ramon Baldassini, a leader of the largest trades union federation, the Peronist-controlled General Workers Federation (CGT).

Within one week some 186 companies have given notice of lay-offs, redundancies and shorter working hours. The recession can be seen everywhere in paralysed construction work. Cement production fell 22 per cent in June. Car production for the year was originally projected at 142,000 units; before June this was cut to 112,000.

The unions have made a lot of noise but have not mobilised labour on a large scale. The government for its part has taken a tough line against labour unrest.

A landmark has been the recent case of Ford's plant near Buenos Aires. Occupied for 19 days in protest over sackings, the premises were then surrounded by a massive show of military force. The occupiers left peacefully with shouts of "General Alfonsin" and now face unprecedented prosecution in the courts.

The unions seem aware of the changing tide against them. "We must fight inflation as it is the greatest tax on the working man," said Sr Baldassini. "We are in favour of drastic measures, but we cannot accept such large-scale redundancies without a commitment by the government to reactivate."

While the employers are supportive of the government, especially in moves to curb union power, they fear the private sector will have to bear too large a share of the austerity package. As it is many companies are close to bankruptcy from the cumulative effects of inflation and recession.

Government economists believe the recession is bottoming out, and that the lack of orders represents a final liquidation of existing stocks. On this view restocking could generate a limited recovery at the end of August with some selective government-aided reactivation afterwards.

A joint working group of *employers, trade unionists* and government officials has been formed to monitor the economy and study how to tackle reactivation. This consensus approach is an encouraging sign. It underlines the realisation by everyone that President Alfonsin's plan must work.

Men and Matters

Our man in Kampala

Peter Penfold, Britain's beagle-faced deputy high commissioner in Kampala, has displayed admirable sang froid during his first African revolution.

He narrowly missed another military coup in Africa 10 years ago. He was posted to Addis Ababa in 1975, just a few months after Emperor Haile Selassie was deposed.

Now, with his boss Colin McLean, on home leave, 41-year-old Penfold is shepherd to the tiny British diplomatic corps which, since Saturday, has been *camping in sleeping bags* on the floors of the high commissioner's four-bedroom residence.

Against a background of gunshots and mortar fire, Penfold and his staff have been dining on tinned and frozen food, washed down with filtered tap water. There were a few bottles of beer in the cupboard but they were quickly polished off *during the first night of the* enforced bivouac.

Penfold, who went to Kampala in March last year after three comparatively peaceful years in Whitehall, found himself in the diplomatic front line last month when he had to cope with the consequences of an Amnesty International report that documented further, well-founded allegations of mass torture inflicted by ousted Ugandan President Milton Obote's regime.

It was left to Penfold to pass on to Obote the veiled threats of Foreign Office minister, Malcolm Rifkind, that aid to Uganda, including a military team to train the ragtag army, would be affected if Obote persisted in his brutal methods of dealing with political oppo*nents*.

"Do you get the feeling that we're being kept in for an extra week because of bad behaviour?"

Aiming low

Even before the Royal Ordnance Factories are privatised a new £20m deal for guns indicates that cold breezes of competition are blowing through the British armaments business.

GKN Defence Operations looked for a supplier for the 30mm Rarden cannon to fit to the army's new mechanised combat vehicle, the MCV 80. GKN is the main contractor for the vehicle.

The obvious source for the gun might be expected to be the Royal Ordnance Factories which actually developed it, together with the Ministry of Defence, and have been making it for nearly 20 years.

But a rival tender from BMARC, a defence equipment supplier based at Grantham, proved to be significantly lower So BMARC got the job.

It is hard for the ROF men because they gave the gun its name. Rarden stands for *Royal* Armaments Research and Development Establishment, plus the "N" for Enfield where it has been made.

It is doubly hard for them in the twilight of their state industry careers that BMARC is a subsidiary of the Swiss arms company Oerlikon Buhrle.

Law-abiding

Walter Merricks, whose column in the New Law Journal has long been a thorn in the Law Society's flesh, is to become secretary of the society's pro*fessional* and public relations committee in September. But he may prove just as uncomfortable to live with in his new role as a *£30,000-a-year* insider.

For a start he wants to change the name of the Law Society, which dates back to 1825; and he wants much greater openness on the grounds that "silence always appears conspiratorial."

Merricks was asked at a press conference yesterday about the barristers' decision at the weekend to become more democratic in electing their leaders. Did he *think the Law Society—whose* president is chosen by its council members—should follow suit?

Merricks contented himself with saying that more openness would be a prerequisite for such a move. But an altogether gentler and perhaps more traditional member of the society's PR committee was heard to remark: "This word democracy is a very worrying one..."

Public interest

His quest for truth over Johnson Matthey Bankers seems to have been leading Brian Sedgemore, Labour MP for Hackney South, *into* some of those nooks and crannies better known to the more intrepid of investigative journalists. Or those, anyway, who live in the Republic of Islington.

Last Thursday, for instance, on the eve of his startling disclosures about JMB to the House of Commons—not to mention references to police cover for himself and his family—Sedgemore might have been seen stepping fearlessly into a narrow, ill-lit sidestreet of the People's Borough, home of more Fleet Street literati than anywhere else in London.

A final, clandestine meeting to review the details of the next day's momentous speech? A secret rendezvous with Pat Benson, the former director of Ravensbury Investments and ex-employee of Michael Hepker whom Sedgemore has accused of defrauding JMB?

Only the ranks of Islington's intrepid, investigative journalists packing the public bar of the Compton Arms (Prop: P. Benson Esq) can guess the answer with any confidence. For in marched Sedgemore at 10.15 pm for a quiet group discussion.

Our man on the spot wanted to suggest they use the garden—but remembered just in time that it backs on to the home of the Guardian's financial editor. No point exposing Sedgemore to even more walls with ears.

Official split

The civil service is against sex *discrimination—so it tells us* quite firmly.

Nevertheless, Whitehall promotion boards are quite capable of asking female candidates if they are planning to have babies . . . when . . . how they will cope . . .

An ambitious official can be left wondering whether to grit her teeth and answer the questions, or whether to issue a formal complaint which could jeopardise her promotion chances.

Recently one principal was asked by her promotion board if the double responsibility of running a home and doing a job did not leave her feeling "schizophrenic."

"I'm in two minds as to *how I should answer that ques*tion," she replied.

Observer

BASE LENDING RATES

A.B.N. Bank	11½%	Heritable & Gen. Trust	12 %
Allied Dunbar & Co.	12 %	■ Hill Samuel	§12 %
Allied Irish Bank	12 %	C. Hoare & Co.	12 %
American Express Bk.	12 %	Hongkong & Shanghai	11½%
Henry Ansbacher	11½%	Johnson Matthey Bkrs.	12½%
Amro Bank	11½%	Knowsley & Co. Ltd.	12 %
Associates Cap. Corp.	13 %	Lloyds Bank	11½%
Banco de Bilbao	12 %	Edward Manson & Co.	13 %
Bank Hapoalim	12 %	Meghraj & Sons Ltd.	11½%
BCCI	12 %	Midland Bank	11½%
Bank of Ireland	12 %	■ Morgan Grenfell	11½%
Bank of Cyprus	12 %	Mount-Credit Corp. Ltd.	11½%
Bank of India	12 %	National Bk. of Kuwait	11½%
Bank of Scotland	11½%	National Girobank	11½%
Banque Belge Ltd.	12 %	National Westminster	11½%
Barclays Bank	11½%	Northern Bank Ltd.	11½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	11½%
Brit. Bank of Mid. East	11½%	People's Trust	12½%
■ Brown Shipley	12 %	PK Finans Intl. (UK)	13 %
CL Bank Nederland	11½%	Provincial Trust Ltd.	13 %
Canada Permanent	12 %	R. Raphael & Sons	11½%
Cayzer Ltd.	12 %	Roxburghe Guarantee	12 %
Cedar Holdings	13 %	Royal Bank of Scotland	11½%
■ Charterhouse Japhet	11½%	Royal Trust Co. Canada	12 %
Choulartons**		■ J. Henry Schroder Wagg	11½%
Citibank NA	11½%	Standard Chartered	‖11½%
Citibank Savings	¶12¾%	TCB	11½%
City Merchants Bank	12 %	Trustee Savings Bank	11½%
Clydesdale Bank	11½%	United Bank of Kuwait	11½%
C. E. Coates & Co. Ltd.	12½%	United Mizrahi Bank	11½%
Comm. Bk. N. East	12 %	Westpac Banking Corp.	12 %
Consolidated Credits	12½%	Whiteaway Laidlaw	12 %
Co-operative Bank	11½%	Williams & Glyn's	12 %
The Cyprus Popular Bk.	12 %	Yorkshire Bank	12 %
Duncan Lawrie	11½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	12 %		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptns.	13 %		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		
■ Hambros Bank	11½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 8.00%, 1 month 8.50%. Top Tier—£2,500+ at 3 monthly notice 11.25%. At call when £10,000+ remains deposited.

‡ Call deposits £1,000 and over 8½% gross.

‖ 21-days deposits over £1,000 9.25%.

¶ Mortgage base rate.

** See Provincial Trust Ltd.

§ Demand deposits 8½%.

Letters to the Editor

Privatising business schools

From Professors B. Griffiths and H. Murray

Sir,—Professor Moore (July 19) is himself open to the charge of oversimplification which he levels against Michael Dixon's article on the future of British business schools.

He simplifies the authorship of the report, which was jointly written—the proper designation should be the Griffiths-Murray report.

He claims that the bulk of students at London Business School put themselves through the MBA programme, implying self-financing. Is it not the case that over 80 per cent of home students are put through the MBA programme at no little expense to the taxpayers? What can be the justification of the general taxpayer subsidising those who "are in heavy demand and command excellent salaries"? Is this not a somewhat perverse redistribution of income?

He suggests that if business schools were privatised fees would quadruple, decreasing the number of UK applicants severely, leading to a reduction in the number currently graduating from the LBS each year. Presumably he means that the present fees charged by the LBS would quadruple, suggesting that privatisation would have no other impact—no increase in efficiency, no rethinking of product structure or positioning, no response to funding or market change other than passive acceptance of inability to compete.

But already there is no such thing as "an MBA." An MBA degree is not a commodity: it is a highly differentiated product. There are full-time two-year courses, full-time one-year courses, part-time day release degrees, part-time evening degrees, projected distance learning MBAs and extension MBAs—each of which have different prices. Not even the university grants committee attempts to impose uniform prices across the whole range but merely controls the minimum price on one narrow sector—the full-time MBA. The particular increase in the fee charged following privatisation would vary enormously between these various kinds of MBA degrees and need not be anywhere near as dramatic as suggested by Professor Moore.

He is surely not suggesting that costs will increase four times? Costs should fall under market pressure for efficiency. What we are suggesting is that the reduced costs be transferred to the beneficiaries and off the back of the taxpayer.

He suggests that home students would be deterred by higher fees. This is not the case. At the City University Business School, our fee per annum for an MBA is above the officially set minimum charged by the LBS. Since we increased the price, demand has risen 40 per cent. And that is not surprising: the benefit to a student of an MBA (even one which has to be paid for personally!) is typically a 50 per cent hike in salary. The payback period (even when living expenses for the student year is included) is less than four years. There can be few such investment opportunities in the UK!

Professor Moore also claims that increased fees would attract overseas students. The last time overseas students' fees were increased, the business schools—like the rest of the university sector—warned that the result would be a drastic reduction in overseas students. Remarkably, a further increase in fees will reverse the trend!

We are suggesting positive discrimination in favour of business education, in that the benefits of privatisation should first be applied there and extended to other postgraduate areas later.

Brian Griffiths,
Hugh Murray,
City University Business School,
Frobisher Crescent, EC2.

In defence of graphology

From the Managing Director, Executive Search

Sir,—May I quote two cases in reply to Mr Bristow (July 24)?

A candidate with whom two of us had spent many hours and whose references appeared good, was to be offered a position with our firm when graphological analysis revealed that he was very clever at saying what his hearers wanted to hear while not always telling the whole truth. He would be difficult to pin down on this but would back off quietly when his presentation of himself was threatened. So it turned out: parts of his very convincing story were challenged and he withdrew. Further confirmation that a wrong appointment had been avoided came when the wife of a colleague to whom the candidate had spoken only once on the telephone subsequently remarked: "I never did trust that man."

The second case concerned an individual found by a client. The graphological analysis advised against the candidate. Our client overruled the advice but made the appointment probationary for six months. During that time, the analysis proved correct. In the client's words, "The appointment was a costly disaster."

These and other experiences do not enable me to prove the negative that many wrong appointments have been avoided but they do persuade me to be positive in my advocacy of and enthusiasm for graphological analysis as a tool of assessment.

J. M. Reid.
8a, Symons Street, SW3

Oil wells, drills and profits

From Mr B. Barrow.

Sir,—What on earth is going on? While oil companies report bigger profits the offshore drilling contractors are reporting greater losses. No one knows better than the oil companies that you cannot find oil without drilling wells. Why then does a situation exist where the oil companies are seemingly bent on forcing the drilling contractors out of business?

In 1981-82 contractors could expect rates in the range of $70-80,000 (or more) per day. They were enabled to pay off their very expensive equipment (today a modern semi-submersible drilling unit can cost well in excess of $70m), pay off debt interest and principal, put some aside for maintenance, repairs, research and development and still—dare it be said?—make a reasonable profit for shareholders. At today's rates—$25-30,000—the average contractor can pay his operating costs and perhaps the interest on his long term debts. In some cases (eg Global Marine and others) even the interest cannot be paid. Apart from all this, essential maintenance of the equipment is liable to suffer, short cuts taken, "poor buoying" done, to the detriment of all concerned, including the oil company who hires the rig. As time goes on, and no short term improvement is in sight—one has to be very optimistic to see even a long term one!—we are going to see increasing reports of accidents occurring due to worn out and minimally maintained equipment. All responsible drilling contractors will do everything in their power to keep their rigs working safely . . . but if you haven't got the money?

The fact is that utilisation of the North Sea drilling fleet is as high today as it was during the halcyon years in the early 1980s when contracts were several months, or even years, long. The oil companies have discovered that if they drill one or two wells at a time there will always be rigs coming off a job and available for the next. The result is for every job there are several rigs available resulting in fierce cut-throat competition and inevitable forcing day rates down to dangerously low levels as contractors try to keep their equipment at work. On top of all that oil companies are often twisting the knife by refusing to pay for the mobilisation of a rig to their drilling location besides putting the burden of many items which used to be their responsibility on to the drilling contractor, knowing he cannot refuse and hope to get the job.

It is essential the oil companies and the contractors meet to see what the solution to this dilemma is. Both operators and contractors are composed of highly individual and proud people who will never deign to organise this type of get-together on their own. It will have to be forced on them by government action, the Department of Energy must look into this unhappy situation (it is surely fully aware of it and its probable ramifications) and insist on contractors and operators sitting down together in an effort to solve the problem.

Brian M. Barrow.
4 Primrosebank Avenue,
Cults, Aberdeen.

Signalling the Bank's intention

From Mr T. Clarke

Sir,—Leaping, no doubt unnecessarily, to the defence of the Bank of England, may I be permitted to attempt a clarification of the Bank's new proposals for Mr Watson — (July 25) "Bank loans and the JMB affair."

As I understand the Bank's intention, the tightening of the requirements for loans to related borrowers are intended to deter any loan concentrations above 10 per cent of a bank's capital. Should it fail to do so, the Bank of England has already indicated that it will impose stricter capital adequacy requirements on the deviant bank. Therefore, even if the traditional quizzical eyebrow fails to work, teacher's cane is to hand!

Tim Clarke.
249 The Water Gardens, W2


UK economy
Time to replace austerity with careful expansion
By Rudiger Dornbusch

A problem of supply capacity

From the Editor, Economic Outlook, London Business School.

Sir,—I had hoped that the days when Massachusetts Institute of Technology professors were wheeled in to solve our economic problems were behind us. Professor Dornbusch has made distinguished contributions to exchange rate theory, but his call for "careful expansion" (July 24) betrays ignorance of some salient facts about the UK economy.

We are invited to conclude from a simple comparison of actual GDP growth with a trend extrapolated from 1977 that the output lost during the 1980-81 recession has never since been made good and that employment would be substantially reduced by a period of faster growth. If only it were that easy!

Professor Dornbusch is presumably aware that over 1.5m jobs have been lost in manufacturing since 1979, yet the Confederation of British Industry survey of manufacturing industry shows that capacity utilisation is now back at 1979 levels. The obvious conclusion is that when output fell in 1980-81, manufacturing capacity fell too. That is why manufacturing output and employment is still well below 1979 levels even though GDP will be some 6 per cent higher than in 1979 this year.

The problem is not one of demand, but of supply capacity. When the manufacturing jobs disappeared, the associated capital stock was scrapped. Even though some of the capacity that was uneconomic in 1980 because of the strong exchange rate would today be viable (competitiveness is still better than in 1979 despite the pound's recent rise) the strapping process is generally irreversible.

Expansion of demand on anything like the scale advocated by Professor Dornbusch would therefore quickly run into supply bottlenecks. Wage inflation in manufacturing industry is still extraordinarily high given the existence of 3m unemployed. A policy which stoked it up still higher would do nothing to help the jobless back to work.

Bill Robinson.
Sussex Place, NW1.

Expansion and unemployment

From Professor Wynne Godley

Sir,—Professor Dornbusch (July 24) on the UK economy seems to have got his figures wrong. His chart shows output rising more than the growth of productive potential (2 per cent as estimated by him) between 1976 and 1979 and also between 1981 and 1984. Yet unemployment rose 0.1 per cent in the first of these periods and 2.7 per cent in the second. These comparisons, together with other evidence, suggest to me that there has to be a sustained rise in output at a rate exceeding 3 per cent per annum, rather than 2 per cent, if there is to be any significant fall in unemployment.

Professor Dornbusch's recommendations for expansion contain no explicit measures to improve our trading performance and, as such, look dangerously incomplete, if not irresponsible. Our non-oil balance of payments deteriorated by £11bn between 1981 and 1984 although output fell below trend. With oil production due to fall from now on, the oil balance must be expected to deteriorate. So it looks as though expansion fast enough to achieve a substantial reduction in unemployment would generate a large and rapidly growing external deficit.

Does Professor Dornbusch think this could be sustained for more than a year or two, let alone indefinitely?

(Professor) Wynne Godley,
Department of Applied Economics,
Sidgwick Avenue, Cambridge.

Listen to the other fellow

From Mr D. Giddings

Sir,—As a conference interpreter and translator I have a vested interest in English speakers' remaining as ignorant as possible of foreign languages. But as a former university lecturer I am horrified at the way 'language teaching' is still grossly misunderstood by both teachers and curriculum designers (normally Ministries of Education).

Apart from the unfairness of measuring linguistic ability in terms of the pupil's skill at reproducing the sounds and structures of an alien tongue, the exercise is futile and is as logical as judging a person's musical sensitivity by his skill at learning to play the harp, or the lyre.

Instead of wasting valuable formative years trying to ape impossible sounds and master the niceties of grammar, students should be taught to listen to foreign languages, to understand them passively, as interpreters and translators do. The time saved could be well spent on mastering the use of their own language. In this way, all school-leavers could be in a position to understand 5 or more languages without difficulty.

It might put a few interpreters out of work, but it would do much to improve international understanding.

David Giddings.
Piazzo S. Salvatore in Campo 33,
00186 Rome.

Employment of young people

From Mr J. Pownall

Sir,—I am compelled to reply to the letter from Malcolm Ryan (July 24) concerning the removal of young people from Wages Council legislation. It is quite apparent that Mr Ryan is out of touch with reality. Purely and simply, Mr Ryan, no company can afford full adult wages to untrained, unskilled 18-year-olds. Under present legislation, at least in the reclamation industry in which I am involved, 16- to 21-year-olds are condemned to unemployment. The employment of young people will now increase. So it should as all my experience in the employment of nearly 300 people indicates, the young to be the most conscientious, willing to learn and diligent of workers. This in stark contrast to the many family men who really do not need lower paid employment owing to the cushion of social security.

Mr Ryan, as chairman of the British Youth Council, you should be pleased that more young people will now be employed. To say that after four or five years the young will be replaced is quite without foundation. If they prove themselves they will be retained by most employers. In the few other cases at least the years in work will have been a good grounding and training for them.

You are quite right, Mr Ryan. The young are desperate to work. Now they are not priced out of employment they will be given a better chance. Furthermore, most of them will not abuse this chance, will prove excellent employees, and give long and loyal service.

John Pownall.
Harrimans Lane,
Dunkirk, Nottingham.

Treasury aids umpires' output

From Mr J. Troup

Sir,—Lord Killearn (July 26) is intrigued that the marginal inscriptions on the £1 coin appear in both orientations, so that they can be read on some coins with the obverse upwards and on others with the obverse downwards.

I had always believed that this was a deliberate attempt by the Treasury to increase the productivity of those members of the community (eg, cricket umpires) who as part of the duties of their employment are required to toss coins. No longer do they have to go through the laborious process of spinning the coin in the air, catching it and placing it on the back of one hand. All that is necessary is for a £1 coin to be drawn from a pocket, to be placed with the inscription the correct way up and there will immediately be produced a random heads or tails result depending upon which face of the coin is uppermost.

Not only can the time spent on the now out-moded tossing procedure be reduced by up to 75 per cent but any possibility that the tossed coin might land on its edge — thus necessitating a repetition of the whole laborious procedure — is avoided.

J. E. A. Troup.
14, Dominion Street, EC2.

Why British bus makers are worried

by John Griffiths

LATER THIS autumn Leyland Bus—part of Land Rover-Leyland, BL's commercial vehicles arm—hopes to confirm a major export contract worth £385m. It will be for the supply of 4,500 buses and new support services and infrastructure for Thailand's capital, Bangkok.

If this contract is won, it will come as a much-needed boost to a deeply-depressed bus manufacturing sector in Britain where Leyland, Metro Cammell Weymann (MCW) and Hestair, as well as the UK bus making operations of Volvo, are struggling for what remains of the UK coach and bus market.

The Society of Motor Manufacturers and Traders has been issuing increasingly strident warnings that the future of Britain's bus building industry, which employs around 20,000 people, is in jeopardy.

The SMMT's warnings have been provoked by fears that the Transport Bill, grinding its way at the moment through Parliament, is creating a damaging climate of uncertainty. Many bus makers believe that the Bill's proposal to deregulate passenger transport services could lead many operators to switch to small types of buses, including mini buses, which they do not produce and which are likely to be supplied by the volume vehicle manufacturers.

The threat comes on top of a severe recession in both home and overseas markets.

● Many of the overseas markets on which prosperity was based in the 1970s, have withered under the effects of oil price rises, weak commodity prices and soaring debt servicing costs. Exacerbated recently by drought, these problems have put vehicles well down the priority list in developing countries for scarce foreign exchange.

● High wage costs in the late 1970s, on top of the appreciation of sterling made UK manufacturers uncompetitive and turned Britain into an importers' paradise. At the same time the exchange rate created extra problems for exporters.

Just how severe the problems have become is illustrated by Mr David Andrews, chairman of Land Rover-Leyland.

In 15 of the company's overseas markets, export credits guarantee insurance is either impossible, or very difficult, to obtain. Yet as recently as 1982, they had absorbed Leyland trucks and buses worth £150m.

While demand in these countries is expected to grow again, eventually, it will not automatically help UK, European or even Japanese production. Almost certainly, it will be met by protected domestic industries.

India, Brazil and others have adopted this strategy in seeking to create jobs, preserve foreign exchange and promote economic development. Complete bus imports are replaced initially by knocked-down kits. As capability develops, so indigenous suppliers supplant even component imports.

Mr Andrews points out: "There is no reason to suppose that the national motivations which have caused these developments in the past, will not prevail in the future where countries can afford the cost of establishing a domestic industry."

Mr Peter Steadman, director and general manager of Metro Cammell Weymann, says that the UK industry is likely to go through "a difficult, hand-to-mouth existence" over the next two years, but he does not expect any major collapse in this period.

Mr Steadman maintains that MCW expected the sharp bus downturn after 1981, so diversified into coaches. "We've probably done better than anyone else in the UK as a result, having about 15 per cent of the market, based mainly on double-decker coaches," he claims.

MCW had a setback earlier this year when London Regional Transport placed all its 1986 order for 260 buses, worth £16m, with Leyland.

However, Mr Steadman expects the coach business to grow further — it currently accounts for 20 per cent of MCW business—and thus compensate partly for the loss LRT business. He hopes that MCW's 1,100 employees will produce nearly 500 vehicles this year, up from about 400 in 1984.

As for over-capacity in the industry, he says that MCW "can reduce volumes and people at will, because we've now got highly flexible work practice arrangements which let us move the workforce around within both the site and products."

Mr Steadman denies that UK companies were slow to respond to the deregulation of the coach business four years ago.

After deregulation, demand shifted from shorter-haul, lightweight coaches to long-distance double-decker expresses, often travelling across national borders. MCW moved swiftly to adapt its bus designs. "But Continental manufacturers already had this type of coach, so it was much easier for them to grab sales in the UK."

Some of the UK industry's wounds, insists Mr David Hargreaves of Hestair Dennis, are self-inflicted. "In the coach market in 1977 we had zero imports. Duple (now a Hestair subsidiary) and Plaxton (the UK's other major independent coachbuilder) between them had almost the whole market. But then the Continentals were allowed to walk straight in. I said at the time, why can't Duple see what's happening? Not until 1982 did they fight back with their Caribbean coach, which started to match the Continentals' high specifications and long-distance abilities."

Hestair's Duple recently launched a direct rival to luxury continental coaches. "We believe that while their market penetration won't go down, it can at least be held," says Mr Hargreaves.

Leyland Bus amply illustrates the industry's traumas. The withdrawal of government grants to local authorities for bus purchases was one of the first problems, sending the UK market on its sharp plunge from 2,500 double deckers and 1,000 single deckers in 1981. As overseas markets collapsed, the company was forced into a systematic retrenchment. Plants have been closed at Park Royal, West London, and Bristol—both formerly making double-deckers — while Charles H. Roe at Leeds has been sold. (This company, renamed Optare, builds bodies on Leyland chassis, supported by £200,000 from West Yorkshire's county council and enterprise board).

A total of 1,000 redundancies last year brought Leyland's workforce down to 3,000 from 6,000 four years earlier.

The Thai contract, if confirmed, will involve all three remaining plants: Leyland, where 1,500 employees produce Atlantean bus and Tiger coaches chassis, and mechanical components; Workington, where 450 make the Railbuses into which Leyland has diversified, as well as buses and coaches; and Eastern Coachworks at Lowestoft, whose bodybuilding operations are most vulnerable to any further cutbacks but whose future is now likely to have been secured.

Leyland, meanwhile, is lobbying the Government to provide greater support for the industry.

Measures suggested by Mr Andrews include developing ECGD and Overseas Development Aid insurance and/or funding for countries no longer regarded as credit-worthy on normal commercial terms. This would allow manufacturers to continue to provide parts and service support for such countries, and thus keep vehicles in repair.

With £250m of exports at stake, UK manufacturers are still fighting. Leyland is still building about 2,000 buses a year of all types: MCW and Hestair about 400 each, while other opportunities are being explored. A Leyland Olympian double-decker is currently touring the streets of Oakland, California, in the first stage of a campaign to promote, jointly with U.S. bus maker Gillig Corporation, Leyland's view that 10 per cent of the 50,000 single-decker buses operating in U.S. cities could be switched to double-deckers. Its Lynx single-decker city bus, launched last year and intended primarily for export, is already in service in Australia, with some ASEAN countries showing interest.

BUS & COACH PRODUCTION

	1984	1983	% change
W. Germany	9,461	13,271	−28.7
France ...	2,633	2,566	+ 2.61
Italy	6,389	7,400	−13.7
Sweden ...	5,264	10,414	−50.54
UK	4,726	15,616	−69.70
Spain	1,631	2,043	−20.20

Definitions of buses and coaches vary by country. UK statistics include volume manufacturers' output of 8-15 seat vehicles, eg Ford Transit variants.

Source: Automotive Industry Data.

UK's BUS AND COACH MARKET

	1978	1979	1980	1981	1982	1983	1984
Registrations (total).........	5,700	5,800	5,800	4,400	3,800	3,700	3,400
Imports (%)	3	4	8	10	17	21	23

Source: Leyland Vehicles.

FINANCIAL TIMES
Tuesday July 30 1985

YEAR-LONG MINERS' STRIKE BLAMED FOR ACCELERATED DEFICIT

UK coal industry loses £2.2bn

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

THE STATE-OWNED British coal industry lost £2.2bn ($3.1bn) last year, a figure almost entirely attributable to the year-long strike by miners which ended in March without a negotiated settlement. It compares with a loss of £875m the previous year, which was affected by the start of the strike.

The National Coal Board (NCB) said yesterday, however, that it expected to cut its losses to £300m in the present year and to break even in 1986-87.

Mr David Hunt, the Coal Minister, said the loss showed "that the greatest damage has been done by Mr Scargill (miners' union president) to the coal industry itself, with lost investment, lost markets and lost opportunities.

"The shadow of Arthur Scargill has cost the coal industry dear, but that is nothing to the price that would have had to be paid if Mr Scargill had won his class war."

Mr Peter Walker, Energy Secretary, commenting on a weekend newspaper interview in which Mr Ian MacGregor, the NCB chairman, was critical of his interference in the running of the board during the strike, said the UK coal industry would face great change.

It was essential to put in place "the right calibre of management to see the industry over the next five years," he said.

Mr Walker said; "You can never be content with the way the industry is – it is an industry where there is a terrific amount of scope for improvement." However, his remarks on new management did not apply directly to Mr MacGregor, with whom he said he had "genial" relations.

Mr Merrik Spanton, the board member for personnel, and Mr Brian Harrison, member for finance, both retire shortly – and Mr James Cowan, the deputy chairman, may also go soon.

The cost to the Government of the coal industry over the past year totals more than £2.6bn – including the grant to cover the deficit of £2.225bn, grants for social purposes of £189m and funding of the redundant mineworkers' pensions scheme of £199m.

The NCB has also made provision in last year's figures of £342m for the cost of damage arising from the pit strike in the present year.

The strike also cut production of coal from deep-mined pits to 27.6m tonnes, down from 90m in the previous year. Opencast production, at 13.6m tonnes, was almost unchanged.

The NCB expects to cut some 4m tonnes of output this year, with a rather higher cut in total capacity – possibly in the order of 6m tonnes. It has budgeted for 15,000 mineworkers to leave the industry, with 8,400 gone in the first quarter of the present year, bringing the total on colliery books down to 163,000.

Average earnings for miners are now reckoned to be around £192 a week. The NCB report reveals that 146 senior executives now earn above £30,000 a year compared with 96 in 1983-84.

The NCB has had to revise downwards its market projections made before the strike, and confesses to be "struggling" to win back lost sales. For the future, it intends to retain an overall deep-mined capacity of 100m tonnes, but to bring output down below that figure to meet market demand.

Mr MacGregor said in this statement prefacing the report: "Having survived the last 12 months, despite what I believe will be seen as misguided attempts to bring the industry down, I am looking forward confidently to the future when everyone will concentrate on seizing the opportunities ahead so that once more the coal industry will not only benefit the people who work in it but also contribute to the economic wellbeing of the country as a whole."

Details, Page 8; Editorial comment, Page 14; See Lex

Buyout agreed for BAT subsidiary

By Tony Jackson in London

MARDON Packaging, the BAT Industries subsidiary, is to be sold to its management for £172.5m in the biggest deal of its kind yet seen in the UK.

The buying consortium consists of senior management from Mardon's operations in Canada and the UK, with industrial and financial investors from both sides of the Atlantic.

BAT announced its intention of selling Mardon four months ago, saying it was unlikely to reach a scale comparable to its other business areas of tobacco, retailing, paper and financial services. Last year Mardon made trading profit of £34m on sales of £608m, accounting for 4 per cent of BAT's turnover and 3 per cent of its profit.

Mardon said details of the deal could not yet be disclosed. It is understood, however, that the chief executive of the company will be Mr Larry Tapp, until now head of Mardon's Canadian subsidiary Lawson & Jones.

The buyout consortium, known as the Lawson Mardon Group, is based in Canada. The Lawson Jones operation accounts for about a third of Mardon's activities worldwide.

BAT said the bid from the consortium had been the highest of a number received for the business as a whole. Other bids had been received for parts of the Mardon group, but "we stuck to our preference for selling it off as a entity." Other firm bids for the group had come from the UK and North America.

The stake to be held by Mardon's management is described as "substantial," but will fall short of a majority. The final cost to the consortium will be well beyond the initial £172.5m. Of Mardon's total indebtedness of just over £90m, £30m consists of inter-group loans to BAT, which are to be repaid.

In addition, BAT owns only 75 per cent of Lawson & Jones's equity, with the remainder being quoted on Canadian stock exchanges. It is understood that the 25 per cent minority is to be bid for by the Lawson Mardon consortium.

BAT said the proceeds of the sale were not earmarked for any specific purpose but would be used to reduce the level of short-term debt. In the wake of recent acquisitions, including Eagle Star, balance sheet gearing at the last year end was 54 per cent. The sale of Mardon would reduce that by about 5 per cent.

Merrill Lynch, advisers to the consortium, said a subsequent stock market flotation of Mardon was a possibility. "It is one of the major options being considered."

See Lex

IBM denies claim it spied on activities of trade unionists

BY PAUL TAYLOR IN NEW YORK AND WILLIAM DULLFORCE IN GENEVA

IBM, the world's largest computer group, yesterday confirmed that it circulated a confidential memorandum to some managers dealing with "sensitive employee relations incidents."

It said, however, the document originated in a small, recently-formed management group and insisted it was intended to emphasise the need "to be sensitive to employee concerns," rather than suppress them.

IBM had been accused by the International Metalworkers Federation of circulating a document which virtually ordered some managers to spy on employees who discussed wage increases and labour union activity.

The memorandum asks "ISG [Information Service Group] service staff managers" to report immediately "all sensitive employee relations incidents" through line management channels

The situations the managers should report are listed as:

- Reports of even rumours of organised labour activity directed toward personnel at any IBM location, including questions raised on the subject of union activity.
- Any indication of group activity, even without apparent organised influence, when the group's purpose appears to be to improve compensation or any aspect of working conditions. For example, an employee who writes, speaks or claims to speak for a group or for fellow employees, or an attempt by one individual to reflect the attitude of a group of employees."
- Any organised labour activity near an IBM location that, while not aimed directly at IBM, might affect it. "For example, picketing directed at other companies which could affect IBM."
- "Jurisdictional disputes involving our employees' work and the work done by outside labour groups."

The memorandum concludes: "All incidents, not simply those deemed important by local management, must be reported. A single incident may appear unimportant when viewed alone, but may be quite significant when connected with other information."

IBM, which has a worldwide labour force of almost 400,000 and operates a highly sophisticated set of grievance and complaints procedures for its staff, said the memorandum came from a small headquarter services staff group in its New York-based information systems group (ISG), which comprises "less than 2 per cent of its U.S. managers' who total around 32,000."

The company said: "IBM obeys the letter and the spirit of labour law throughout the world. IBM respects the rights of all employees to organise, or to refrain from such activities, as provided by local country law. IBM employees have not expressed the need in most countries where we do business." It said this reflected the wide range of systems in place to handle employee concerns.

IBM has emphasised in the past that it does not have an anti-union bias. Some of its operations, including several in Europe are unionised.

In a press release the International Metalworkers' Federation, which has its headquarters in Geneva, quotes Mr Herman Reshan, its general secretary, as saying that the memorandum "denotes an attitude to IBM workers that conforms to classic anti-union paranoia.

"Clearly something is going on inside IBM that does not fit in with IBM's corporate image. Perhaps now is the time for unions to start an IBM recruiting drive.

"Any IBM worker is welcome to call in at any metal union office and he'll get much better treatment than the spying tactics of IBM personnel department."

Record retailers spin into battle

BY RAYMOND SNODDY IN LONDON

A TRANS-ATLANTIC battle is about to break out for a high place in the record retailing charts.

Tower Records, of Sacramento, California, one of the most dynamic U.S. record retailing companies, plans to open a shop in central London. The company, which has 37 shops in the U.S. and four in Japan, is expected to take over 20,000 sq ft of prime property facing Piccadilly Circus in the ground floor of the former Swan & Edgar department store.

The company, which specialises in expensive designs and enormous selections of recorded music, refused to comment, but it is believed that the Swan & Edgar deal has been agreed, subject to contract.

The Tower move follows the announcement last week that HMV plans to displace the Tower record shop in New York as the largest in the world with a 50,000 sq ft record store in Oxford Street. Tower's New York store is 30,000 sq ft.

HMV is in turn planning international expansion and may take the contest to Tower's doorstep by opening up in New York. To add to the ferment in the London retail market, Virgin yesterday re-opened the first part of its expanded record megastore in Oxford Street.

"All hell is about to break out in Oxford Street with HMV and Virgin facing each other head to head," said Mr Garry Nesbitt, chairman of Our Price records, which plans to double its present total of 105 stores over the next five years.

There are signs of growth and expansion throughout the UK music industry.

W. H. Smith, with a turnover in recorded music of about £70m ($99m) and an estimated 12.5 per cent market share, is planning a significant expansion through a chain of specialist record shops. It is thought that the company plans to set up between 75 and 100 specialist music shops within the next two years in addition to the record departments in 225 stores.

The British Phonographic Industry says, however, that although sales have increased for the past five consecutive quarters, they are still 27 per cent below the level of 10 years ago. Total sales at retail prices in 1984 totalled £549.3m.

Botha rebuffs Tutu request for talks

Continued from Page 1

consider effective action to repatriate them."

Government officials have said in the past that there are well over a million foreign workers in the country.

AP Reports: In Brussels, the Belgian Government yesterday announced that it would propose new measures against South Africa to its nine European Community partners.

Mr Leo Tindemans, the Foreign Minister, said he would make the proposals to Community foreign ministers in Helsinki this week, where they are gathering for the 10th anniversary of the Helsinki Conference.

He said the Belgian Government proposals would include: a ban on loans to South Africa; an end to official support of investment in the Republic; strict enforcement of the Community code of conduct for European companies operating in South Africa; the recall of military attachés; and the discouraging of emigration to South Africa.

David Marsh in Paris writes: The French Government yesterday was trying to work out a method of imposing its own resolution, adopted by the UN Security Council last Friday, recommending the suspension of export credit guarantees for South Africa.

Officials said no decision had been taken to suspend general French cover for exports to Pretoria.

Japan to stimulate imports through action plan

By Jurek Martin in Tokyo

JAPAN WILL today commit itself to making its domestic market more receptive to imports than that of any other industrialised country.

The means of achieving this ambitious goal – which remains the subject of considerable foreign scepticism – is the new three-year import action programme, successor to the seven or eight "market opening" packages that have been unwrapped since 1982.

It will be accompanied by another televised address by Mr Yasuhiro Nakasone, the Prime Minister. According to government officials, he will say that Japan faces an "emergency situation" as a result of its soaring trade surpluses and again include a plea to consumers and corporations that import consciousness be raised.

Mr Nakasone is expected to promise "new" economic policies to promote faster growth and to appoint a committee of ministers and leading politicians to advise on ways of achieving that.

Publicly canvassed economic policy options still appear limited to the conventional mix of more public works and some tax incentives to the private sector, with continued fiscal austerity.

Only last week the Finance Ministry made clear its aversion to any inflationary gamble by provisionally proposing that real spending increases in the 1986-87 fiscal year be held to well under 2 per cent, with only defence and foreign aid getting substantially more than that.

Officials showed some sensitivity in advance briefings to charges that today's programme would contain little that has not been pledged or announced on three previous occasions recently: on April 9 when the action programme was first proposed; on June 25 when Japan said it would cut or eliminate tariffs on 1,860 manufactured products; and on July 9 when it gave some bare details of reforms of standards and certification procedures.

A senior official from the Ministry of International Trade and Industry insisted that the Japanese system was already "less onerous than those elsewhere." He said the action programme would demonstrate that Japan had gone far beyond its "minimum obligations" to meet the complaints of other countries.

Today's details will run to much fine print but their impact is likely to be vitiated by the fact that, as with previous market opening packages, many disparate and previously enacted strands have been gathered into one programme to give it a weightier feel.

This will include a long list of the financial liberalisation measures already undertaken by the Japanese Government.

Significant sectors, especially agriculture, are omitted from the programme, in some cases because they are subject to separate negotiating processes (as with plywood) and in others because the Government is not strong enough to force through change against the wishes of its influential rural constituents.

Uncertainty surrounds the speed with which reforms will be enacted. In the area of standards and certification alone, the Government says that it has reviewed more than 40 laws and made nearly 90 amendments.

New interest rates cut, Page 4

Uganda given promise of vote 'in year'

Continued from Page 1

the Tanzanian forces that overthrew Amin in 1979. He began his military career about 45 years ago as a recruit in the King's African Rifles, and rose through the ranks after Uganda's independence in 1962.

In a brief speech at the ceremony General Okello said his term in office would be short, and he promised democratic elections. Earlier in the day the state-controlled radio said the country would be run by a broad-based administration until elections in 12 months.

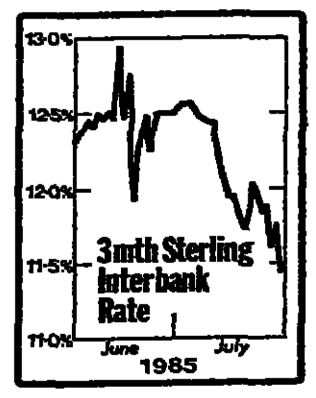
The fact that the army is sufficiently in charge to install a head of state has been treated by diplomats with cautious optimism. Looting continued yesterday, however. Kampala residents said cars were vandalised and glass from shattered shop windows littered the streets.

Water and electricity supplies in some of the suburbs have been intermittent since Saturday, and food stocks are running low. Residents said there was no produce on sale in shops or markets as they had all been looted.

THE LEX COLUMN

Octopus stretches its tentacles

Base rate cuts are rapidly developing a predictable pattern, with the Bank of England giving a firm nudge on Friday and the clearers taking the hint straight after the weekend. Yesterday's half-point reduction was no surprise at all and, to judge from the reaction of the money and foreign exchange markets, the talk is already of the next half point. No doubt they will have to wait until Friday for an official clue.



Octopus/Heinemann

BTR may be used to making a turn on its investments – but the £8m profit it earned yesterday in a matter of hours must take the biscuit. It had agreed to take 18.7m shares in Octopus in return for its publishing house, Heinemann. The market's reaction was enthusiastic enough to vindicate Sir Owen Green's preference for shares over cash: the Octopus price rose 40p to 585p.

For once, this seems to be a thoroughly genuine trade investment. BTR will now own 35 per cent of Octopus, but the voting will be structured so that Octopus could not be taken over without the permission of Mr Hamlyn (chairman and chief shareholder). Even if BTR wants to sell its stake, it has to give Mr Hamlyn first refusal.

Heinemann comes as no snip: at a price of around £110m, Octopus is paying an exit p/e of about 25 times last year's earnings. But then, it can afford to be generous when its own shares are on an historic multiple of over 30. And p/e's of this grandeur have been commonplace in the recent spate of publishing mergers in the U.S.

The market capitalisation of the debt-free combined group will be over £300m. Octopus should be able to bring to Heinemann the marketing and design skills it has already displayed in selling own-label books to the likes of Sainsbury and Marks & Spencer. Heinemann, meanwhile, has a long list of valuable copyrights. Who knows – we may soon see the collected works of Graham Greene on M & S's shelves.

NCB

The 1984-85 accounts of the National Coal Board would be plain masochism from anything but a public – and political – corporation. In order to arrive at a pre-tax loss of £2.2bn, the NCB makes charges and provisions against everything in sight.

It is impossible, from the accounts, to test the NCB's claim that the miners' strike cost it £1.75bn. It has, for example, provided £342m against the continuing detrimental effects of the strike in the current year, without anywhere disclosing the basis of that calculation. It has included in the pre-tax loss of a £54m write-down against an unspecified subsidiary, while write-downs against collieries whose closure has been announced after the balance sheet date crop up in the depreciation charge of all places.

A substantial portion of the loss results from the impact of earlier closures and appears, among other things, as a "social cost." The upshot of this unconventional accounting treatment is that the NCB makes no extraordinary charges whatever in a year which was, if nothing else, extraordinary. The NCB's actual operating loss for the year is a matter of conjecture. But it is most certainly not £2.2bn.

Mardon

Putting an asset publicly up for sale is a course which suggests that willing buyers may not be hammering on the door. Yet the reverse would seem to have been true of Mardon Packaging, to judge by the £172.5m price which BAT is getting – some 30 per cent over book value in the last accounts. Admittedly that does not make an enormous amount of difference to BAT's balance sheet, where even the removal of over £200m of debt only drops gross gearing by 4 or 5 per cent. But given the size of BAT's recent investment in the life assurance industry, every crumb must help.

The scale of the transaction will appear very different from the other side, where it establishes a new record for buyouts concerning UK companies. Since the consortium is based on the management of Mardon's Canadian subsidiary, it may also lead the way into internationally financed deals of this kind. As yet, all manner of details remain to be worked out, including the capital structure of the new company; there is, for example, a publicly quoted minority in Canada which may be bid for if the offer succeeds. And although Mardon is a substantial and profitable business, which made £34.5m before tax last year, the buyers will have to work hard to justify the sort of multiple they seem to be paying. From the BAT viewpoint, that is no doubt all to the good.

Tonks/Cartwright

The Take-over Panel must, in one respect, have been mightily relieved to learn yesterday evening that the outcome of the Newman Tonks bid for R. Cartwright would be resolved in the court. Save & Prosper's apparent bungle over acceptances had promised to leave the Panel in an impossible bind.

By accepting the offer twice in respect of the same shareholding, S & P had unwittingly flown in the face of market practice. While the Take-over Code does not explicitly prevent this, it is recognised that institutions – or jobbers for that matter – should not accept offers in respect of shares they do not own. The consequences of doing so are grave enough as it is and will become graver still as the multi-service firms of the future open up whole new areas of conflict of interest.

Yet, at a time when the Panel is struggling against considerable odds to operate without statutory support, it would have been damaging in the extreme to uphold the spirit of the Code and then find this in conflict with the letter of contract law.

But, however relieved the Panel is to be off the hook, repeated references of disputed bids to courts of law can only undermine its own authority. In an ideal world, the two parties to the dispute might have accepted a Panel ruling. But, as the Dixons battle for Currys demonstrated, protagonists in takeover battles will take their case wherever they see the best chance of success. And they can hardly be blamed for that.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	30	86	Dubrovnik	S	32	90	Malaga	S	32	90	Salzburg	S	33	91
Akrotiri	S	33	91	Faro	S	25	77	Malta	S	33	91	Seoul	S	35	95
Algiers	S	34	93	Florence	C	34	93	Manila	S	32	90	Singapore	C	30	86
Amsterdam	F	20	68	Frankfurt	C	18	64	Miami	C	30	86	Stockholm	C	19	66
Athens	S	32	90	Funchal	C	25	77	Milan	F	29	84	Strasbourg	C	17	63
Bahrain	S	36	97	Geneva	R	15	59	Moscow	C	23	73	Sydney	F	23	73
Bangkok	S	31	88	Gibraltar	S	26	79	Munich	S	29	84	Taipei	R	29	84
Barcelona	C	32	90	Guernsey	F	16	61	Nairobi	—	—	—	Tangier	F	24	75
Beirut	S	31	88	Helsinki	F	18	64	Naples	S	32	90	Tehran	—	—	—
Belgrade	S	36	97	H. Kong	S	32	90	New Delhi	R	34	93	Tel Aviv	S	32	90
Berlin	R	25	77	Innsbruck	S	30	86	New York	F	28	82	Tenerife	—	—	—
Biarritz	F	21	70	Inverness	R	13	55	Nice	F	27	81	Tokyo	S	34	93
Blackpool	R	16	61	Istanbul	S	28	82	Oporto	S	22	72	Toronto	C	28	82
Bordeaux	R	20	68	Jersey	F	16	61	Oslo	S	21	70	Tunis	S	36	97
Brussels	S	20	68	Jo'burg	F	18	66	Paris	F	18	64	Valencia	S	35	95
Budapest	S	32	90	Las Palmas	S	25	77	Prague	S	28	82	Venice	S	30	86
B. Aires	F	11	51	Lima	C	19	66	Reykjavik	D	11	52	Vienna	S	29	84
Cairo	S	35	95	Lisbon	F	24	75	Rio de J'o	F	28	82	Warsaw	F	24	75
Cape Town	S	17	63	Locarno	F	26	78	Rome	F	31	88	Zurich	C	18	64
Caracas	C	28	82	London	R	18	64								
Casablanca	C	23	73	Los Angeles	C	29	84								
Copenhagen	F	20	68	Luxembourg	R	17	63								
Corfu	S	33	91	Madrid	F	24	75								
Dublin	C	14	57	Majorca	S	34	93								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK interest rates cut

Continued from Page 1

adverse effect of the strong pound on export prospects.

Although Mr Nigel Lawson, the Chancellor of the Exchequer, told industry that it must cut costs by restraining wages, he is also anxious to prevent the economy from sliding into a premature recession, which would worsen unemployment prospects.

Sir Terence Beckett, director general of the Confederation of British Industry, said yesterday: "We believe the message is getting through, but we are still looking for further reductions."

He said the cut of half a percentage point in interest rates would save industry about £125m ($175m) in a full year.

Britain's building societies, which make loans to house buyers, responded by calling a special meeting of their association for mid-August to discuss a cut in their mortgage rates.

Stewart Fleming in Washington writes: The Reagan Administration, sticking grimly to economic forecasts believed by most private economists to be hopelessly optimistic, is forecasting that the U.S. economy will grow at an annual rate of 4 per cent next year but that short-term interest rates will remain around current levels. Page 4

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday July 30 1985

Record Dresdner Bank results buoyed by securities trading

BY JONATHAN CARR IN BONN

DRESDNER Bank, West Germany's second biggest commercial bank, raised operating profit to a record level in the first half of this year, thanks chiefly to buoyant earnings from trading on its own account in securities.

As usual with German banks, Dresdner did not specify its operating profit. For 1984 as a whole, operating profits are understood to have totalled about DM 1.3bn ($454m) in the parent bank and more than DM 2bn in the group – in each case slightly below 1983 levels.

Dresdner Bank also reports a modest rise in "partial" operating profit for the 1985 first half. It is the second of the big banks after Commerzbank to do so. Deutsche Bank is expected to release its figures in the next few days.

Dresdner's partial operating profit rose 1.3 per cent to DM 402.8m in the first half. Profits from interest rose 2.3 per cent to DM 1.23bn and those from commissions were up 7 per cent to DM 454.9m. But expenditure rose 4.2 per cent to DM 1.28bn.

The comparison is with half the result for the whole of 1984. A direct comparison between the figures for January-June this year and the same period last year shows an increase in partial operating profit of 11 per cent, interest profits up 5.4 per cent and commission earnings 11 per cent.

The improvement comes against a background which, Dresdner notes, is characterised by lower inflation, higher current account surpluses and falling interest rates. The bank says credit demand has been picking up this year after a slow start.

Business volume of the parent bank rose by DM 7bn to DM 100.6bn – the first time it has passed the DM 100bn mark – while that of the group are up to DM 190bn.

In the wake of the capital increase this spring, the liable funds of the parent bank now total DM 4.2bn, while those of the group are up to DM 5.3bn.

Bayerische Hypotheken- und Wechsel-Bank (Hypo), the Munich-based bank, raised partial operating profit in the first half by 1.6 per cent to DM 385.3m ($134m). The group balance sheet total rose by 2.2 per cent to DM 107.3bn.

Greyhound maintains rise for first half

By Our Financial Staff

GREYHOUND, the U.S. bus system operator and consumer products group, has continued its improved profitability by lifting second quarter net earnings from $34.1m or 70 cents a share a year ago to $38.9m or 80 cents.

This takes net earnings for the first six months to $57.9m or $1.19 a share, following the normal slow first quarter, compared with $48.2m or 94 cents a share in the first half of 1984. Both the 1984 periods include a gain of $3.4m or seven cents a share from the retirement of debentures.

Second-quarter revenues rose from $583m to $727m, taking first-half revenues to $1.25bn ($1.09bn). The company said the increase reflected the recent acquisition of the consumer products division of Purex Industries.

Greyhound has streamlined management and sold its Armour meat packing business among other units in an attempt to boost profits. In April it said it would consider closing down its Greyhound Lines bus unit if its new franchising programme were not successful.

Lower exploration profit curbs Texaco's growth

BY WILLIAM HALL IN NEW YORK

TEXACO, the third biggest U.S. oil major, yesterday reported virtually unchanged second-quarter net income of $305m mainly because a sharp improvement in its downstream earnings was offset by a large drop in its earnings from exploration and production.

Texaco's earnings from exploration and production fell 30 per cent to $382m in the latest three months. By contrast its downstream refining and marketing operations earned $67m compared with a $111m loss in the second quarter. Losses on marine transportation were also cut from $35m to $10m.

Texaco is in the throes of digesting last year's acquisition of Getty Oil and the latest figures follow virtually unchanged first quarter figures. For the first six months of 1985 Texaco earned $625m, or $2.56 per share, compared with $623m or $2.47 per share.

The group's annual earnings have been sliding for the last four years and the latest figures indicate that the company is still lagging behind many of the other U.S. oil majors which have been showing earnings gains in the latest quarter because of the sharp improvement in downstream refining and marketing profits.

Mr John McKinley, Texaco's chairman, says that "the petroleum industry is confronted with uncertainty regarding future crude oil prices. Petroleum demand has not increased at the same rate as the growth of the major consuming countries' economies while, at the same time, worldwide crude oil supplies remain readily available. This imbalance between petroleum supply and demand has continued to exert downward pressure on spot market crude oil prices and ultimately upon product prices," he added.

Texaco's revenues in the latest three months fell from $13.0bn a year ago to $11.7bn due to lower crude oil and refined product sales volume and prices.

Rising costs eat into French bank gains

BY DAVID MARSH IN PARIS

FRENCH BANKS' net profits rose by about 4 per cent last year to FFr 7.6bn ($873m) against FFr 7.3bn in 1983 and FFr 6.6bn in 1982, according to provisional figures from the country's banking commission.

The commission, set up last year under the auspices of the Bank of France and the Treasury, says in its annual report that banks' general costs last year rose more quickly than their net income.

Net income from banking operations rose 8.6 per cent to FFr 118.5bn, while general costs increased 10.9 per cent to FFr 81.4bn, staff costs comprised FFr 53.9bn of the latter figure, rising 9.2 per cent.

Staff costs last year represented only 67 per cent of banks' general charges against 70 per cent in previous years. This reflects much higher spending by the banks on computer equipment and forms of electronics payment technology.

The result of the costs squeeze was a rise of only 5 per cent to FFr 40.8bn in banks' gross operating profits before depreciation and provisions. This compared with increases of 15 per cent in 1983 and 16.5 per cent in 1982.

Provisions last year continued at a high level, with an estimated net FFr 24bn struck in banks' accounts to take account of doubtful risks at home and abroad. This was around the same as the net figure in 1983.

The commission noted that interest rate developments last year were favourable for banks raising funds on the money market. With banks' base rates remaining roughly stable but money market rates dropping, the negative margin between market and base rates which had hit banking profits in previous years disappeared from the first half of 1984.

Banking charges, however, rose faster than receipts partly because of a cut in international loan margins and an increase in interest payments on securities issued in the financial markets.

Credit demand last year stagnated, with banks keeping their overall lending roughly stable in real terms compared with 1983. Credits to residents rose 6.5 per cent in francs and 9.2 per cent in foreign currency compared with 1983, against rises of 9.5 per cent and 19.8 per cent respectively in 1983. Loans in francs to non-residents rose 5 per cent (13.3 per cent in 1983) with foreign currency credits increasing 16.6 per cent (28.3 per cent in 1983).

Borg-Warner plans spin-off

BY ANDREW BAXTER IN LONDON

BORG-WARNER, the major U.S. vehicle parts and chemicals group, is preparing a plan to spin off its air conditioning unit to shareholders in a move that would create the world's largest air-conditioning and industrial refrigeration concern.

Spin-off of the York air conditioning unit, which has 6,000 employees worldwide, has yet to be approved by the Borg-Warner board but is expected to go ahead.

Borg-Warner said yesterday that York's, future had been subject to discussion for several years, and that there had been a feeling that it had not been performing as well as the group as a whole. The unit contributed 16 per cent of Borg-Warner's 1984 sales of $3.9bn, but only 2 per cent of net profits.

If the plan is approved, it will reduce Borg-Warner's debt by $60m or about 17 per cent. The unit would have a capital base of about $230m, including equity of about $170m.

Mr Jack A. Walker, managing director of York in the UK, said the spin-off would likely have very little effect on the unit's European operations. It has plants in the UK, Belgium, Luxembourg and France, and a West German joint venture.

Mr Walker said that while York had been a small part of Borg-Warner, as an independent company it would be very big and have "a great future." Profitability in Europe was considerably higher than for York as a whole, with a return on investment close to 20 per cent.

Inco continues to recover

By Kenneth Marston in London

INCO, the Canadian nickel producer, improved second-quarter net earnings to U.S.$20.9m, or 15 cents per share, making a first-half 1985 total of $33m compared with a loss of $50.2m in the same period of last year.

The company's cost-cutting policy continued to pay off in the latest quarter when there were also the benefits of better metal prices and increased sales. Gains from the sale of venture capital securities also rose.

Esselte U.S. widens margins at mid-year

BY DAVID BROWN IN STOCKHOLM

ESSELTE Business Systems, the U.S. subsidiary of the Swedish office supplies, publishing and packaging group, reports an 11.5 per cent rise in net profits for the first half to $18.05m on sales which climbed only 3 per cent to $315.8m.

The high value of the U.S. dollar has had a negative impact on both sales – two thirds of which are generated outside the U.S. – and earnings. Volume growth in non-U.S. markets was strong, however.

Second quarter sales edged ahead to $153.3m from the $149.7m achieved in 1984. Operating profit after depreciation declined slightly to $16.9m, but this was offset by lower financial costs. Net profit for the second quarter was $7.92m, an 11 per cent rise.

Meanwhile, the division reports U.S. anti-trust authorities have cleared its $43m takeover of Boorum and Pease, the U.S. office supplies company. It has already acquired 54 per cent of the equity from family interests at $39 per share or a total of $23m and is seeking to acquire the remaining outstanding holdings.

Boorum and Pease had a turnover last year of $70m, and is one of the oldest American producers of office supplies. The company, which employs about 1,000 people, will be integrated into Esselte's Pendaflex devision.

Perstorp to acquire two French plastics makers

BY OUR STOCKHOLM STAFF

PERSTORP, the Swedish chemicals and plastics group, has reached a preliminary agreement to buy two French plastics manufacturing facilities with a combined annual turnover of FFr 250m ($28.4m), virtually doubling its existing sales of phenolic resins and moulding compounds.

Perstorp hopes to acquire a loss-making subsidiary of Compagnie Industrielle, which has annual sales of FFr 200m and 250 employees, as well as the production facilities of Rhône Poulenc Specialités Chimiques, which generates annual turnover of some FFr 50m and had been slated for closure.

The two acquisitions will make Perstorp market leader in France and the second largest European producer of phenolic resins and compounds.

Phenolic resins and moulding compounds are used in automotive brake linings, as binders in grinding wheels and for rubber modification among other applications.

The market is presently undergoing a shake-out and Perstorp hopes to position itself as the European leader, says Mr Arne Lindberg, the vice-president. It currently has production facilities in the UK, Austria and Sweden with annual sales of some SKr 300m ($35.7m).

The group has total annual sales of some SKr 3.4bn.

Stelco profit up but below forecasts

BY ROBERT GIBBENS IN MONTREAL

STELCO, Canada's largest steelmaker, reports operating net profits of C$41.1m (U.S.$30.44m) or 43 cents a share for the first half of 1985, compared with C$21.7m a year earlier. Revenues were C$1.27bn, against C$1.25bn.

After special charges for the shutdown of two older facilities in Quebec, final earnings were C$33.5m or 22 cents a share in the period.

Before the special charge, second-quarter net profit was C$21.4m or 25 cents a share, against C$14.1m or 5 cents. Steel industry analysts had been predicting a better performance in the second quarter, some going as high as 40 cents a share before special charges.

The company said the consumer products sector, especially the car market, continues steady

● British Columbia Forest Products, the newsprint, plywood and lumber producer, moved into the black in the first half of 1985, but warns that demand levels and prices will remain mostly unchanged for the rest of the year.

Creditanstalt advances

BY OUR FINANCIAL STAFF

CREDITANSTALT, Austria's biggest bank, improved profits for the first half of 1985 and as a result expects at least to maintain a 10 per cent dividend for this year.

Helped by the recent strength of the stock market, the bank's securities business developed well, as did foreign exchange earnings services business in Austria and at the New York and London branches improved.

In contrast, schilling-interest business remained unsatisfactory. Interest margins remained under pressure despite the agreement among banks this year to limit competition.

The surplus on interest business in foreign currency rose noticeably on increased volumes and improved margins.

For 1984, group net profit was Sch 304.1m ($15.2m) after Sch 299.3m in 1983.

Unions buy into S-E Banken

BY KEVIN DONE IN STOCKHOLM

THE SWEDISH blue collar workers' trade union confederation, LO, has bought close to 2m shares in Skandinaviska Enskilda Banken, Sweden's leading commercial bank.

The shares have been bought indirectly from Nobel Industries the armaments and chemicals group, for around SKr 100m ($11.9m). They will give the trade union organisation an equity stake of about 2 per cent, making it the 10th largest shareholder in S-E Banken.

Mr Stig Malm, head of LO, the main ally in the Swedish labour movement of the ruling Social Democratic Government, said the shareholding should be seen as a portfolio investment,

It is thought that LO might seek a seat on the board at S-E Banken's next annual meeting. Most of the union confederation's assets have previously been invested in property or have been short-term placements.

EUROBONDS

New Zealand launches floater

BY MAGGIE URRY IN LONDON

THE COST OF borrowing floating rate money in the Eurosterling market yesterday continued to fall. New Zealand launched a £100m floater on terms believed to be the finest yet seen in this market.

The issue, led by S. G. Warburg, has a 12-year life and pays interest at 1/16 per cent above London interbank offered rate (Libor) for three-month sterling deposits. With front-end fees of just 36 basis points, the cost to New Zealand is 11½ basis points over Libor, which is getting close to rates seen in the much larger and more mature Eurodollar FRN market.

The New Zealand issue, which is to replace a syndicated bank credit, has the attraction of not being subordinated debt. The deal was syndicated fairly easily and was trading within the 30 basis point discount at which the co-managers own the bonds.

The Eurodollar bond market was again depressed and prices fell by ½ to ¾ point. There is little cheer from the New York bond market, where the Treasury's next refunding is anticipated with trepidation.

Only one issue appeared, a $50m six year deal for Hanwa, the Japanese commercial house, thought to be destined for Japanese investors. The bonds pay a 10⅛ per cent coupon and issue price of 101⅞. Banque Paribas is the book-runner.

Security Pacific (Australia) launched a European currency unit issue raising Ecu 100m which is thought to be swap-related. It was not clear whether the swap was linked with any of the recent Australian dollar issues, where Security Pacific is believed to have acted as the counter-party to some swaps.

The issue, led by Morgan Guaranty, matures in 1990 and has an 8¾ per cent coupon with a 100¼ issue price. The bonds were quoted at a level just within the 1⅞ per cent fees, though the deal was launched late in the afternoon.

A lull was seen in the Euro-Australian dollar bond market yesterday with no new deals announced. Deutsche Bank was able to increase its deal launched last Friday from A$50m to A$65m following good placement of the bonds.

Prices in the Swiss franc foreign bond market were little changed, despite a weaker dollar and lower Swiss interest rates which might have encouraged buying.

Two issues were trading for the first time. The EIB's SwFr 100m 10-year issue which has a 5⅝ per cent coupon closed at 99¼ compared with the par issue price. Southmark Corporation's SwFr 120m 8-year deal fared worse closing at 98¾, down from the par issue price. The coupon is 6¼ per cent.

The D-Mark Eurobond market was also little changed in narrow trading. Some of the South African bond issues recovered part of their recent falls.

The Bundesbank is expected to announce today the total issue volume for August. Dealers expect a fairly light calendar during the holiday month.

Morgan Guaranty warns on 'paper' loans

BY ALEXANDER NICOLL IN LONDON

THE INCREASING role of securities issues in international financial markets will add to the difficulties of monitoring bank lending because methods of compiling statistics have lagged behind market developments, according to Morgan Guaranty Trust.

In the U.S. bank's monthly publication, World Financial Markets, its economists argued that "securitisation" – the replacement of traditional bank loans with issues of marketable paper – will have a lasting impact on capital flows and the role of international banks.

The trend has been demonstrated by a decline in bank syndicated loans and simultaneous growth of bond issue volume and of issuance and underwriting facilities which appear on bank balance sheets only when drawn.

Morgan Guaranty said this trend has been spurred by favourable bond market conditions; heavy purchases of floating rate notes by Japanese banks; new financing techniques such as currency and interest rate swaps; deregulation of Japanese and other capital markets; reduced profitability of direct bank lending; and a shift of surpluses from oil producers to countries, such as Japan, where investors have a greater appetite for securities.

The bank warned, however, that international banking statistics were incomplete because banks in some countries do not report foreign security holdings as claims for statistical purposes. This is already resulting in under-reporting of lending to some countries, such as South Korea, Malaysia, India and Thailand, which have increasingly issued securities to meet their funding needs.

Innovations such as swaps further cloud the statistical picture because they mask the identity of the ultimate sources and uses of funds, as well as altering the interest rate and currency structure of the initial transaction.

INTERNATIONAL COMPANIES and FINANCE

Frank Gray, recently in Oporto, profiles Portugal's largest construction group

Soares da Costa's mixed blessing

TO MANY Western companies, government contracts are an invaluable financial lubricant to their corporate cash flow and can often be a kiss of life to businesses in trouble.

But consider the case of Soares da Costa, Portugal's largest construction company.

At first glance, it fits the profile of a private sector group that has benefited mightily from state contracts, especially during the 1960s and 1970s.

Established in 1918 as a general painting and gilding firm specialising in decorative construction skills, it expanded into general construction and civil engineering. In 1968, it became formally incorporated and was registered in the northern industrial city of Oporto.

The expansion that followed allowed the group to broaden its base to the extent that it claims to be one of the few construction companies that can offer turnkey projects without having to subcontract outside its own family of 14 associated companies.

Without success in winning government contracts, such expansion would not have taken place. Last year, for example, some two-thirds of its Es 19.5bn ($116m) in revenues came from domestic business, most of it from government contract awards.

Yet company officials point out that this has become more a source of grief than pleasure; Soares da Costa has been in the unenviable position in recent years of having as its main source of business a client that is, by any normal business standard, virtually bankrupt.

This has led to a perfect Catch 22 situation; government business cannot be turned down, for contracts will eventually be honoured, yet the cost to the company of under-writing government slowness to pay for projects commissioned places enormous pressure on the company's own viability.

The most serious blow was struck in 1983 with the emergency freezing of all public spending programmes, which, for a time, threatened to savage Soares da Costa's turnover. A company official said at the time: "The tap was turned off completely and then turned on again very slowly. We took what drops we could, but there wasn't much."

Added to this are the constraints of Portuguese law, which virtually prohibit layoffs. No matter how poor the cash flow, Soares da Costa still must find a way to pay the salaries of its 7,000 employees.

A third factor is the continuing disarray of the Government, gearing up for another election following the collapse of the coalition of Sr Mario Soares this summer, and the consequent lack of decision-making on civil engineering projects.

While these obstacles have proved formidable, the company has met the crisis by throwing its sales efforts into winning overseas contracts. It is a field in which it had virtually no experience before 1979 – despite the existence into the decade of Portugal's substantial overseas possessions. Soares da Costa's belated success there has enabled it to remain profitable.

Its overseas business enabled it last year to generate revenues of Es 19.5bn, some Es 13bn from domestic business and Es 6.5bn from abroad.

This latter figure represents a sharp rise on 1983 foreign turnover of Es 3.9bn and Es 1.8bn in 1982. Domestic turnover for those two years was Es 13.8bn and Es 10.4bn respectively. Pretax profit for 1984 was Es 718.3m compared with Es 485.5m the year before. A major factor behind the profit rise was the company's continuing reduction in re-investment, which fell 16 per cent last year and allowed debt costs to follow.

It hopes to turn this around this year and next as Portugal benefits from increased European Investment Bank loans for public works projects. These currently are financing some 50 per cent of the company's government contracts, but 10 per cent of domestic turnover remains seriously in arrears, company officials say.

The growth in overseas building contracts is continuing this year, says Sr Joao de Vasconcellos, business development manager. For the first six months of 1985, overseas contracts were running equal to domestic business, with the possibility of some major housing deals in Algeria, making the outlook positive for the remainder of the year.

This turnround has not been easy, he points out, given that Portugal's nationalised banks have not, until this year, been able to provide much export finance.

This problem looks like easing with a more aggressive export finance posture being taken by such institutions as the Caixa Geral de Depositos and the Banco Formento, both of which have signed letters of intent to back Soares da Costa bids for overseas contracts.

Banking officials say that this higher profile is also being stimulated by the emergence of private domestic banks, such as the Portuguese Investment Bank and the Commercial Bank of Portugal, and stepped up activity by foreign banks, such as Barclays and Lloyds of the UK and Chase Manhattan of the U.S.

Through the end of 1984, most of its new-found overseas business was coming from Portugal's former colonies, particularly in Angola where it is engaged in building military barracks, oil refineries and two hotels, in one case in joint venture with Bouygues of France.

However, its business relations with Angola prevent it from bidding for contracts in South Africa, where an estimated 800,000 expatriate Portuguese live. Political problems have also impeded it from doing more business in Mozambique where its sole building project is the U.S. embassy in Maputo.

But it has won some $10m in deals in Cape Verde where it has plans to build 300 housing units and is constructing the Soviet Embassy.

In fact, embassy projects have become a kind of speciality. On the strength of its Cape Verde project, the company was invited by the Soviet Union to bid for an embassy complex in Georgetown, Guyana.

Sr da Vasconcellos cautions that Soares da Costa is facing an uphill battle in its bid for foreign contracts. Much of its business has been won in countries that are debtor nations or torn by political strife.

MITSUI FINANCE ASIA LIMITED

(Incorporated in the Cayman Islands)

US$150,000,000 Guaranteed Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that for the three month period, 26th July, 1985 to but excluding 28th October, 1985, the Notes will carry an Interest Rate of 8 7/16% per annum. Coupon will be US$220.31 on the Note of US$10,000.

Mitsui Finance Trust International Limited
Agent Bank

N. AMERICAN QUARTERLIES

ANHEUSER-BUSCH — Brewing

Second quarter	1985 $	1984 $
Revenue	2.01bn	1.87bn
Net profits	130.4m	113.4m
Net per share	0.83	0.71
Six months		
Revenue	3.82bn	3.49bn
Net profits	220.9m	191m
Net per share	1.41	1.20

HOOVER — Domestic appliances

Second quarter	1985 $	1984 $
Revenue	168.7m	157.1m
Net profits	7.6m	7.9m
Net per share	0.61	0.64
Six months		
Revenue	336.3m	343.2m
Net profits	18.7m	19.7m
Net per share	1.51	1.60

GULF CANADA — Oil and gas

Second quarter	1985 $	1984 $
Revenue	1.33bn	1.3bn
Net profits	74m	69m
Net per share	0.32	0.30
Six months		
Revenue	2.63bn	2.84bn
Net profits	171m	142m
Net per share	0.75	0.62

AMERADA HESS — Integrated oil company

Second quarter	1985 $	1984 $
Revenue	1.84bn	2.01bn
Net profits	31.7m	45.4m
Net per share	0.38	0.54

PANHANDLE EASTERN — Natural gas pipelines

Second quarter	1985 $	1984 $
Revenue	576.3m	833.4m
Net profits	16.5m	33.3m
Net per share	0.36	0.73

SOUTHLAND — Convenience store franchise operator

Second quarter	1985 $	1984 $
Revenue	3.3bn	3bn
Net profits	68.7m	58.5m
Net per share	1.28	1.25

DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant expiry date	Current Market Prices: Wrnt BID (%)	Wrnt OFFER (%)	Share Price (Yen)	Offer Calculations: Premium (%)	Gearing	Premium/Gearing Ratio
CASIO COMPUTERS 6/3/89	32.00	33.50	1,380	21.13	3.26	6.49
C ITOH 4/5/89	35.00	36.50	443	6.03	3.42	1.76
C ITOH 20/1/87	44.00	49.00	443	16.42	2.54	6.46
DOWA MINING 20/7/90	14.00	15.50	661	33.67	5.62	5.99
FUJIKURA CABLE 28/4/89	8.50	10.00	338	26.54	8.30	3.20
HAZAMA CABLE 1/11/89	10.00	11.50	401	30.14	7.73	3.90
J S R 28/4/89	6.50	8.00	338	42.39	9.07	4.68
JUSCO 22/12/88	78.00	82.00	855	20.88	1.85	11.29
KAYABA INDS 15/2/89	13.00	14.50	310	12.77	6.95	1.84
KUMORI PRINTING 20/12/89	16.00	17.50	2,060	16.03	6.00	2.67
MARUZEN 12/2/90	13.00	14.50	495	33.78	6.41	5.27
MINEBEA 20/2/89	35.00	38.00	595	76.99	2.04	37.79
MIT CHEMICAL 20/1/87	89.00	94.00	460	38.05	1.46	26.14
MIT CORPORATION 7/11/88	34.00	35.50	680	−0.17	3.80	−0.04
MIT GAS & CHEM 20/3/89	22.00	23.50	393	3.53	4.86	0.73
MITSUI E/S 15/10/88	12.50	14.00	176	9.02	7.37	1.22
MITSUI E/S 10/12/87	27.50	29.50	176	5.30	4.36	1.22
MIT METAL 10/2/89	76.00	81.00	617	37.68	1.61	23.37
MIT METAL 10/11/89	13.00	14.50	617	29.60	6.19	4.78
MITSUI PETRO 15/2/90	26.00	27.50	396	19.90	4.18	4.76
NIPPON MINING 17/3/89	86.00	91.00	407	38.56	1.47	26.15
NIPPON MINING 15/6/90	16.00	17.50	407	36.61	5.15	7.10
NISSHO IWAI 1/2/89	15.00	16.50	295	10.74	6.32	1.70
NOMURA SECS 31/10/88	85.00	86.50	1,310	2.39	2.08	1.15
OHBAYASHI GUMI 5/4/89	58.00	63.00	398	2.04	2.46	0.83
OMRON TATEISHI 31/3/89	6.50	8.00	1,240	99.10	6.43	15.40
ONODA CEMENT 10/4/89	35.00	38.00	350	−0.51	3.53	−0.15
ONODA CEMENT 28/2/90	20.50	22.00	350	21.03	4.96	4.24
OPTEC DAI-ICHI 23/2/90	16.00	17.50	620	23.26	5.90	3.94
OSAKA TRANSFORMER 29/1/90	10.50	12.00	403	41.53	7.02	5.91
RENOWN 24/1/89	15.50	17.00	815	12.17	6.07	2.01
RYOBI LTD 26/6/90	11.00	12.50	377	23.42	7.65	3.06
SEINO TRANSPORT 17/3/89	9.50	11.00	1,020	24.89	7.62	3.27
SEIYU STORES 20/3/87	55.50	57.50	760	31.33	2.06	15.21
SONY CORP 26/4/90	16.50	18.00	3,530	47.77	4.72	10.11
SUMI CONSTRUCTION 24/3/89	60.00	64.00	328	−1.16	2.53	−0.46
SUMI HEAVY 24/2/89	19.50	21.00	262	2.29	5.58	0.41
SUMI REALTY 21/11/89	65.00	66.50	850	0.59	2.56	0.23
TOKYO ELECTRIC 14/3/89	6.00	7.50	820	83.63	7.71	10.85
TOKYO SANYO 8/6/87	144.00	149.00	620	73.15	0.98	74.96
TOKYU CORP 29/1/90	65.00	66.50	522	1.00	2.59	0.39
TOKYU STORES 20/7/90	24.00	25.50	570	9.84	4.67	2.11
TORAY INDS 5/3/87	13.50	15.00	466	11.18	6.80	1.64
TOYO ENG 28/2/89	53.00	57.00	697	52.44	1.79	29.25
YAMAMURA GLASS 8/5/90	8.00	9.50	465	19.90	10.06	1.98
YAMATO KOGYO 29/1/90	13.00	14.50	596	18.03	7.14	2.52

Reuters Monitor DABF/G/H/I/J - Further information from: Freddy Glock or Beverly Kelly on 01-248 8080

Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 29.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	100¾	101¼	−0⅛	−0½	10.57
Amex Credit 12⅝ 88	150	105⅛	105⅝	−0⅛	−0½	10.53
Atlant Richfld 10¼ 00	250	91⅞	92⅜	−0⅛	−1	11.36
Bank of Tokyo 13⅜ 91	100	110⅛	110⅝	−1½	−1½	11.12
BP Capital 11⅛ 92	150	100⅜	100⅞	−0½	−1⅜	10.95
Canada 11½ 90	500	103⅝	104⅛	−0⅜	−1⅛	10.37
Canadian Pac 10¼ 93	100	99⅝	100⅛	−0¼	−1⅛	10.76
Canadian Pac 12½ 99	75	106⅛	106⅝	−0⅛	−0⅞	11.56
CBS Inc 11⅜ 92	100	100¾	101¼	−0½	−0⅝	11.14
Chevron U.S.A. 12¼ 89	600	103½	104	−0⅛	−0⅞	11.05
Citicorp 11½ 95	150	99¾	100¼	0	−0½	11.49
Coca Cola 11¾ 91	100	105⅜	105⅞	−0⅛	−0⅝	10.45
Denmark Kingdom 11¼ 89	100	101⅜	101⅞	−0⅜	−0¾	10.67
Denmark Kingdom 11½ 90	100	103	103½	0	−0⅝	10.57
Denmark Kingdom 11½ 92	100	101¾	102¼	0	−0¾	11.03
Denmark Kingdom 13¼ 91	100	106⅛	106⅝	−0⅝	−1	11.27
E.E.C. 11⅛ 90	100	101½	102	−0⅝	−0⅞	10.58
E.I.B. 12 95	200	104½	105	−0¾	−2	11.15
E.I.B. 13 96	200	109¼	109¾	+0⅛	−0⅝	11.44
Export Dev Corp 10 90	100	97¾	98¼	−0½	−1⅛	10.53
Export Dev Corp 12 89	100	104⅛	104⅝	−0⅞	−1⅛	10.63
Ford Motor Cred 11⅜ 90	100	100¾	101¼	−0⅜	−0⅞	11.04
Ford Motor Cred 11⅝ 95	100	100⅝	101⅛	0	−0⅝	11.44
Ford Motor Cred 11¾ 92	100	100¾	101¼	−0½	−1⅜	11.56
Ford Motor Cred 12 95	100	102½	103	−0⅝	−1	11.48
Gen Elec Credit 10¼ 00	200	99½	100	−0⅛	−0⅜	10.27
GMAC 10¼ 89	200	99½	100	−0¼	−0⅝	10.31
IBM Credit 10⅜ 2000	300	99⅞	100⅜	−0⅛	−0½	10.34
Indust Bk Japan 12⅞ 89	100	106½	107	−0¼	−1	10.76
Japan Air Lines 13⅜ 94	100	116⅝	117⅛	−0¼	−0¼	10.40
Kellogg Company 10⅞ 90	100	100⅛	100⅝	−0¼	−1⅛	10.72
Kellogg Company 11¼ 92	100	101⅝	102⅛	−0⅛	−0¼	10.80
L.T.C.B. 12⅞ 91	100	107½	108	−0¼	−0⅝	11.06
Macy Cred Corp 11¾ 95	100	102½	103	−0¼	−0¾	11.24
Mellon Bank 13 87	100	105	105½	−0⅛	−0⅛	10.06
Merrill Lynch 12¾ 89	100	104⅛	104⅝	−0½	−0½	11.35
Minnesota 11½ 87	100	102⅝	103⅛	−0⅜	−0⅜	9.94
Mitsui Trust 11⅝ 90	100	103	103½	+0¾	+0¾	10.73
Morgan Guaranty 12⅛ 89	150	104¾	105¼	−0¼	−0⅝	10.80
Nth America 12⅞ 91	100	† 106	106½	−1¾	−0½	11.39
Penney J.C. 12¾ 91	100	105⅝	106⅛	−0½	−1⅜	11.35
Pru Realty secs 12⅛ 95	546	104½	105	−0½	−1½	11.26
Qantas Airways 10⅝ 95	140	95⅜	95⅞	−2¼	−2¼	11.12
Quebec Hydro 11½ 92	100	101¾	102¼	−0¾	−0⅞	11.06
Ralston Purina 11¾ 95	150	101⅜	101⅞	−0⅞	−1¾	11.46
Ralston Purina 12¾ 89	100	105⅛	105⅝	−0⅝	−1¼	11.05
Royal Bk Can 12¾ 92 XW	100	102	102¾	−0¼	−0⅜	12.16
Saskatchewan 10¾ 92	100	99½	100	−0¼	−1⅛	10.78
Saskatchewan 11⅞ 89	100	103¼	103¾	+0⅛	−1⅛	10.78
S Wales Trsy 11¾ 90	150	102⅞	103⅜	−0½	−1½	10.64
Swed Exp Cred 10 92	100	95¾	96¼	−0⅝	−1⅛	10.84
Swed Exp Cred 12¾ 89XW	100	104⅞	105⅜	−0⅜	−1⅛	11.11
Sweden Kingdom 10⅞ 90	200	100¼	100¾	−0⅜	−1	10.71
Sweden Kingdom 11½ 89	200	102½	103	−0⅛	−1⅛	10.64
Sweden Kingdom 11¾ 94	100	103¾	104¼	+0⅛	−0¾	11.02
Tenneco Corp 10¾ 95	150	98⅞	99⅜	0	−0½	10.88
Texaco Capital 12⅞ 87	300	104¾	105¼	−0⅛	−0⅜	10.07
Tokai Asia 11½ 95	100	100⅞	101⅜	−0⅞	−1⅝	11.29
Victorian Rep 11⅝ 92	150	102	102½	−0⅝	−1	11.11
World Bank 12¼ 94	150	106⅝	107⅛	−0⅜	−1½	11.01
World Bank 12⅞ 94	200	110¼	110¾	−0⅛	−0⅝	10.98

Average price change On day −0⅜ on week −0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	104¾	105¼	0	0	7.23
Austria,Republic 7⅛ 94	200	104	104½	−0⅛	−0¼	6.94
Baxter Travenol 7¼ 94	200	102½	103	0	+0¾	6.81
Copenhagen 7⅜ 95	150	100½	101½	−	−	7.22
Credit National 8⅛ 94	200	105¾	106¼	+0⅛	+0¼	7.15
Degussa Int Fin 7½ 94	100	104⅝	105⅛	+0⅜	+1⅝	6.72
E.I.B. 7¼ 94	300	101½	102	−0⅛	0	6.96
Escom 8 92	150	95⅛	95⅝	−0¼	−3½	8.93
Ferrovie Dello Stato 8 91	100	103⅝	104⅛	−0¼	+0⅝	7.13
Finland Republic 7 92	200	100⅞	101⅜	−0⅛	+0⅜	6.77
Gould Int Fin 7⅜ 91	100	104¼	104¾	+0⅛	+1	6.86
Ireland 8⅛ 92	150	105⅜	105⅞	−0⅜	+0⅜	7.00
Japan Fin Corp 7⅜ 91	100	103¾	104¼	−0¼	−0⅜	6.78
Mitsubishi Hvy 3½ 89WW	300	135	135½	+0¼	+3⅜	−5.00
Mitsubishi Hvy 3½ 89XW	300	91⅛	91⅝	−0⅛	−0⅛	6.19
Mitsubishi Met 3½ 89WW	100	101	101½	−0¾	+0½	2.82
Mitsubishi Met 3½ 89XW	100	88⅛	88⅝	−0⅛	+0⅜	6.23
Pepsico O/S Fin 7¼ 94	250	103⅝	104⅛	−0¼	+0⅛	6.63
Quebec Hydro 7⅛ 95	200	† 101¾	102¼	−0⅜	+0¼	6.84
Renfe 7¾ 95	100	102½	103	0	+0½	7.34
Renown 3⅛ 90	80	110¼	110¾	+4¼	+4½	0.93
Societe Cent Nucleair 8 91	100	106½	107	0	+0¾	6.56
Sth African Tran 7⅝ 92	100	92¼	92¾	−0⅜	−3½	9.06
World Bank 7¼ 89	100	103	103½	−0¼	−0¼	6.07
World Bank 8 94	200	105⅞	106⅜	−0⅛	−0⅛	7.01

Average price change On day 0 on week +0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	† 101½	101¾	−0¼	−0¼	6.01
Avon Cap Corp 5⅜ 94	130	† 99½	99¾	−0¾	−0¾	5.56
Brit land Comp 6½ 89	75	† 103	103¼	−0¼	−0¼	6.16
Council of Europe 6 92	120	† 102¼	102½	+0¼	+1	5.60
Creditanstalt 5½ 94	100	† 98¼	98½	−0¼	−0¼	5.72
Deutsche Bk Fin 5⅜ 95	100	† 100½	100¾	−0½	−0½	5.26
E.I.B. 5⅞ 94	120	† 101	101¼	−0⅛	−0½	5.71
Export Dev Corp 5⅜ 92	125	† 100¼	100½	+0⅜	+0½	5.31
Gen Occidentale 4½ 94	80	† 102¼	102½	0	−0¼	4.19
I C Industries 5⅛ 94	125	† 100	100¼	−0⅛	+0⅜	5.09
Ind Fund Fin 5¾ 94	40	†* 100½	100¾	0	0	5.66
Int−Am Dev Bk 6⅛ 94	120	† 101½	101¾	0	+0¼	5.89
N.Zealand steel 5¼ 95	70	† 98¾	99	+0¼	+0½	5.38
Oberos Kftwk 5½ 95	100	† 99½	99¾	0	+0⅜	5.56
Ralston Purina 5⅜ 94	125	†* 100¼	100½	0	+0½	5.32
Santos Finance Ltd 6 94	130	† 98	98¼	+0¼	+0¼	6.12
Tokyo Elec Pwr 5½ 93	120	† 98	98¼	0	−1	5.84
Tokyo Metropolis 5¼ 94	80	† 98¾	99	0	+0¼	5.40
World Bk 5¾ 94	150	† 100¾	101	−0⅜	0	5.62

Average price change On day −0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 90	15	98⅜	98⅞	−0⅜	−0⅝	6.83
Gdyr Tr & Rubber 7⅛ 95	25	98¼	98¾	−0¼	−1	7.34
Mort Bk Denmark 7 92	10	99¾	100¼	−0¼	−0¾	6.99
New Brunswick 7⅛ 95	10	100¾	101¼	−0¼	−0⅝	6.88
World Bank 6⅝ 90	25	99¾	100¼	−0¼	−0½	6.61

Average price change On day −0¼ on week −0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia Com 12⅞ 90SA	125	102⅝	103⅛	+0¼	+1	12.09
Citicorp Aust 13⅛ 88SA	40	101¼	102¼	0	+0⅛	12.24
CSR Finance 13¼ 90 SA	40	101⅜	102⅜	0	+0⅛	12.79
Nissho Iwai 13¼ 90 SA	30	100	101	0	+0¼	13.00
Amex 10⅛ 90 C$	50	100⅛	100⅝	−0¼	+0⅛	10.04
Genstar Fin 11¼ 95 C$	75	96⅛	97	+0⅜	−0¼	12.03
Hamil−Wealth 10⅛ 95C$	25	† 95⅝	96¼	−0¼	−0⅜	11.44
Loblaw Cos 11⅛ 92 C$	50	† 98	98½	0	−1	11.27
New Brunswick 11⅝ 95C$	75	† 100	100½	−0⅛	−1½	11.57
Shell Canada 11¼ 92 C$	75	98	98½	−0⅛	−1⅜	11.41
Winnipeg City 10⅞ 00C$	50	98½	99	+0¼	−0¼	10.95
BP Capital 16 88 NS	50	101	102	+0¼	0	15.34
Danish Ex Fin 18⅛ 90NS	40	96¼	97¼	+0⅜	+0¼	17.13
KB Inter 16⅛ 90 NS	50	97⅞	98⅜	−0¼	−0⅜	16.80
C.N.T 9¼ 92 ECU	75	100⅞	101¼	−	−	9.20
C.N.T 9⅝ 95 ECU	75	104⅜	105⅛	−	−	9.11
Eurofima 9⅝ 93 ECU	50	103⅞	104⅜	−	−	8.85
Eurofima 7½ 92 FL	60	103¾	104¼	+0⅛	+0¼	6.80
Philips Lamps 7½ 90 FL	100	103⅝	104⅛	−0⅛	+0¼	6.79
Rank Xerox 8 90 FL	100	104¾	105¼	0	+0⅛	6.72
Van Lanschot 7½ 90FL	60	102⅜	102⅞	+0⅛	+1½	6.86
World Bank 7⅛ 90 FL	150	102¼	103	+0⅛	+0¼	6.62
E.C.S.C 11⅛ 92 FF	300	101⅜	101⅞	0	+0⅜	10.78
Amer Express 11⅜ 92 £	30	103⅞	104⅝	+0¼	+0⅜	10.46
Australia Comm 11 92 £	40	99⅞	100⅜	+0⅛	+0¼	10.95
BP Capital 10⅝ 92 £	60	98¼	98¾	0	0	10.84
E.I.B. 11⅛ 93 £	50	101¼	101¾	0	0	10.80
GMAC UK Fin 10½ 90 £	30	96⅛	96⅝	0	−0⅛	10.99
Imp Chem Inds 11⅛ 95 £	75	101¾	102¼	+0⅛	+0⅛	10.90
Inco 12⅜ 93 £	50	102⅝	103⅛	−0⅛	−0⅛	12.11
Macdonalds 10⅝ 90 £	40	98¾	100¼	+0⅛	+0⅛	10.84
Privatbanken 11⅞ 92 £	20	99⅞	100⅜	0	−0⅛	11.92
Rank Xerox 11 92 £	40	98½	100	0	0	11.00
Royal Trustco 11⅜ 90 £	30	100⅛	100⅝	+0⅛	−0⅛	11.35
Ster Drug Cap 10⅞ 90 £	30	98⅞	100⅛	+0⅛	+0¼	10.91
Tricentrol XW 11 92 £	35	94⅝	95⅛	+0⅜	+0½	12.19
Trusthouse Forte 11⅛ 90£	50	99½	100	0	+0¼	11.34
World Bank 11⅛ 95 £	100	100	100½	+0⅜	+0⅜	10.80
E.C.S.C. 10½ 94LF	100	104	105	−0⅜	−0⅜	9.73
Nat Lux Alum 10½ 92 LF	600	105¼	106	−0⅛	−0⅛	9.37

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	99	99¼	24/7	7.56	7.62
BankAmerica O/S 5¼ 96	0⅛	99¾	100	3/9	8⅛	8.14
Bank of Montreal 5 96	0⅛	† 100½	100¾	29/7	8¾	8.70
Bankers Trust 5 2000	0	99⅝	99⅞	11/9	7.69	7.71
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/8	8.38	8.34
B.F.C.E. 5¼ 99	0⅛	100¼	100½	13/9	10.06	10.02
B.N.P. 5¼ 95 (July)	0⅛	99⅝	99⅞	22/7	8⅛	8.17
C.C.F. 5¼ 97	0	99½	99¾	22/8	10⅛	10.18
Chase Man'tn 5 2000	0	99½	99¾	9/8	8⅝	8.66
Chase Man'tn 5¼ 2009	0⅛	99¾	100	5/8	7.81	7.82
Citicorp O/S 5¼ 96 Sep	0⅛	99⅝	99⅞	18/12	11.19	11.22
Credit Lyonnais 5¼ 96	0⅛	100⅜	100⅝	11/10	9.00	8.94
Ireland 5¼ 87	0	100⅛	100⅜	26/10	9.00	9.00
Ireland 5⅛ 99	0	100¼	100½	14/8	10	9.95
Italy, Republic 5 94	0⅛	100	100¼	13/11	8⅞	8.85
Lloyds Bank 5¼ Perp	0¼	99¾	100	9/12	8	8.01
Midland Bank Perp 5	0¼	99⅝	99⅞	19/12	8⅛	8.17
Nat West Perp 5	0⅛	100¼	100½	13/11	9⅛	9.09
Nat West Perp A 5¼ S	0¼	86⅛	86⅜	9/1	8¼	8.37
Nat West Perp B 5¼ S	0¼	99¼	99½	9/8	5¼	5.28
Queensland Coal 5¼ 96	0¼	100⅜	100⅝	12/11	9	8.95
Roy Bk Canada 5 2005	0⅛	99¼	99½	5/8	7⅞	7.92
Roy Bk Scot 5¼ 2005 £	0	99	99¼	3/8	12.81	12.90
Sweden Perp 5¼	0¼	100	100¼	9/1	8.31	8.30
Tokai 5¼ 99	0⅛	100¼	100½	12/12	8⅛	8.09

Average price change On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	109⅝	110⅛	+1⅛	6.46
Fanuc 3¾ 98	1/84	7032.5	134	136	+0⅛	34.16
Fujitsu 3 99	5/84	1320.9	73⅛	73⅞	+0⅜	18.69
Kumagai Gumi 3½ 2000	3/85	600	150¼	151¼	−1¼	−1.89
Marui 3½ 99	7/84	1182	118⅞	119⅞	−0½	−0.83
Mitsubishi Elec 2⅞ 00	3/85	422	96⅛	96⅞	−0⅛	−2.36
Murata 3½ 99	2/84	2351.2	77⅝	78⅜	+0¼	29.66
Murata 3½ 2000	7/84	2366	76¾	77½	+0⅜	31.69
Nippon Elec 2⅞ 2000	1/85	1385	78¼	79	+0¼	25.19
Nippon Oil Co 3 2000	5/85	923	105⅜	106⅜	+0⅜	3.93
Nippon Oil Co 3¼ 99	3/84	1052	182⅞	182⅞	+2⅜	24.46
Oki Elec Ind 3½ 99	10/84	805	86⅞	88⅜	−0⅜	26.86
Orient Leasing 5¼ 98	6/83	2680	99	99½	+0¼	−2.79
Sekisui House 3 99	6/84	612	127⅞	128⅝	+2	8.77
Sony Corp 2 2000	5/85	4578	78½	79¼	−1⅜	6.02
Sumitomo Corp 2⅞ 99	5/84	593	129⅞	130⅝	−1⅛	4.88
Taiyo Yuden 3¼ 2000	3/85	1078	82⅞	83⅝	0	−2.38
Takeda Riken 3⅜ 2000	10/84	7063	† 75	76	−1½	38.79
Tokyo Sanyo Elec 3½ 99	12/84	772	87⅛	87⅞	−1⅛	8.31
Toshiba Ceramics 3 2000	4/85	7734.2	76	76¾	−1⅛	8.42
Nippon Oil Co 2⅛ 92 SF	3/84	1052	† 105¼	105½	+0½	21.57
Nippon Shinpan Co 2 92 SF	3/84	801	† 101	101¼	0	15.48
Asics 5 92 DM	12/83	580	105¾	106⅛	−0⅜	38.79
Sum Realty 6¼ 92 DM	2/83	338	† 239	240	−10	−4.11

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week—Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte—Date next coupon becomes effective. Spread—Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn—current coupon. C.yld—current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day—Change on day. Cnv. date—First date for conversion into shares. Cnv. price—Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem—Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Nordic International Finance B.V.

US$40,000,000.00 Guaranteed Floating Rate Notes 1991

Notice to Noteholders

Notice is hereby given that copies of the Report and Accounts of Nordic International Finance B.V. for the year ended 31st December 1984 may be obtained from:

The Secretary, Nordic International Finance B.V., Kneuterdijk 2, 2514 EN The Hague

or

The Secretary, Nordic Bank PLC, 20 St. Dunstan's Hill, London EC3R 8HY

This announcement appears as a matter of record only.

The Permanent

Canada Permanent Mortgage Corporation

U.S. $80,000,000

Multicurrency Transferable Loan Facility

Hambros Bank Limited

Bank of Montreal · **The Chase Manhattan Bank, N.A.**

Commerzbank Aktiengesellschaft · **Crédit Lyonnais**

Credit Suisse Canada · **Dresdner Bank Canada**

Generale Bank S.A./N.V. · **Manufacturers Hanover Limited**

Toronto Dominion International Limited

Agent Bank

Hambros Bank Limited

July, 1985

REDEMPTION NOTICE

THE COPENHAGEN COUNTY AUTHORITY

US$25,000,000 9½% DOLLAR NOTES 1990

Notice is hereby given that, in accordance with Condition 5 of the Terms and Conditions of the Notes, an amount of *US$1,750,000 will be applied in satisfaction of the second annual redemption instalment on 1st September, 1985.* The serial numbers of the Notes selected for redemption on that date at 100% of their principal amount are as follows:—

13	167	321	475	629	783	937	1,091	1,245	1,399	1,553	1,707	1,861	2,015	2,169	2,323
27	181	335	489	643	797	951	1,105	1,259	1,413	1,567	1,721	1,875	2,029	2,183	2,337
41	195	349	503	657	811	965	1,119	1,273	1,427	1,581	1,735	1,889	2,043	2,197	2,351
55	209	363	517	671	825	979	1,133	1,287	1,441	1,595	1,749	1,903	2,057	2,211	2,365
69	223	377	531	685	839	993	1,147	1,301	1,455	1,609	1,763	1,917	2,071	2,225	2,379
83	237	391	545	699	853	1,007	1,161	1,315	1,469	1,623	1,777	1,931	2,085	2,239	2,393
97	251	405	559	713	867	1,021	1,175	1,329	1,483	1,637	1,791	1,945	2,099	2,253	2,407
111	265	419	573	727	881	1,035	1,189	1,343	1,497	1,651	1,805	1,959	2,113	2,267	2,421
125	279	433	587	741	895	1,049	1,203	1,357	1,511	1,665	1,819	1,973	2,127	2,281	2,435
139	293	447	601	755	909	1,063	1,217	1,371	1,525	1,679	1,833	1,987	2,141	2,295	2,449
153	307	461	615	769	923	1,077	1,231	1,385	1,539	1,693	1,847	2,001	2,155	2,309	

Interest will cease to accrue on and after 1st September, 1985 on the Notes selected for redemption and Notes so surrendered should have attached all unmatured Coupons appurtenant thereto. Coupons due 1st September, 1985 should be detached and presented for payment in the usual manner.

Repayment of the Notes selected for redemption will be made upon presentation at the offices of any of the Paying Agents, listed below:—

Bankers Trust Company, Dashwood House, 69 Old Broad Street, LONDON EC2P 2EE

Bankers Trust Company, Corporate Trust Division, Four Albany Street, New York NY 10015, U.S.A.

Swiss Bank Corporation, 1 Aeschenvorstadt, CH-4002 Basle, SWITZERLAND

The Fuji Bank Limited, 25-31 Moorgate, LONDON EC2R 6HQ

The Daiwa Bank Limited, Winchester House, 77 London Wall, LONDON EC2N 1BD

The Mitsubishi Bank Limited, 6 Lombard Street, LONDON EC3V 9AA

Daiwa Europe N.V., 344 Amstel, 1017 Amsterdam, The Netherlands

The Mitsui Bank Limited, 34-35 King Street, LONDON EC2V 8ES

Kredietbank Luxembourgeoise S.A., 43 Boulevard Royal, LUXEMBOURG

July 30, 1985

THE COPENHAGEN COUNTY AUTHORITY
By: BANKERS TRUST COMPANY, LONDON
Fiscal Agent

Philippine Government to sell banks

BY SAMUEL SENOREN IN MANILA

THE Philippine Government has decided to sell its holdings in six commercial banks and a large agricultural bank in one of its most significant policy actions since it signed a two-year standby arrangement with the International Monetary Fund late last year.

The bank divestment programme conforms with financial reforms pledged to the IMF by the government of President Ferdinand Marcos as conditions for continued fund assistance.

Under the plan, only one government bank will be retained — the Philippine National Bank, which is to absorb another state bank, the Development Bank of the Philippines. The merged institution will then combine agricultural financing and commercial banking functions.

As committed to the IMF, the divestment process is to be completed within the next 17 months. In effect, the programme and the planned reduction in the number of commercial banks sets the tone for the banking sector up to the end of 1986.

The rationale behind the government's decision to sell its interests in commercial banks was amplified by Mr Cesar Virata, the Prime Minister, during a sub-committee meeting of the consultative group for the Philippines in Tokyo last week.

The group, comprising the Philippines' official creditors, was told by Mr Virata that government participation in the financial system was to be reduced, with the policy applying to all forms of involvement or assistance, covering equity investments, loans, guarantees, deposits and special programmes extended to both government and non-government sub-sectors of the financial system.

Government financial institutions are not supposed to perform similar functions or compete with one another. According to Mr Virata, the government also recognises the "demonstrated capability" of the private sector in performing straight commercial banking functions.

Difficult process

The actual disposition of the six banks, however, is expected to be a difficult process. The banks—Union Bank, Associated Bank, Interbank, Pilipinas Bank, Commercial Bank of Manila and Republic Planters—were all private banks which had either failed or were about to fail when the government came to the rescue.

To acquire majority control of all the banks would need an investment of close to 400m pesos (roughly $21m). All told the programme would require prospective investors to fork out more than 2bn pesos.

Considering the business sector's generally low level of confidence in the economy, as indicated in a recent survey by the country's top business organisation, the Philippine Chamber of Commerce and Industry, it is thought unlikely that all six banks would have ready takers before the end of 1986.

The alternative is for the government to merge them with other private banks, but the move would require some show of muscle because private bankers normally want their institutions, no matter how small, to be left alone for as long as they are free of problems.

The ultimate goal of Mr Virata and Mr Jose Fernandez, the governor of the central bank, is for the banking system to be composed of fewer but larger and stronger units.

No definite number has been set officially but some bankers and economists contend that the needs of business and industry could be adequately serviced by 12 to 15 large and well-managed banking units.

At present there are 33 commercial banks, including four branches of foreign banks which have been allowed to perform full commercial banking functions.

Previous attempts by financial authorities at banking consolidations have been largely unsuccessful simply because banks have resisted unwanted mergers. Such as the case with Pacific Banking Corporation which had been offered by the central bank to other local banks. Pacific was eventually bought by a sugar trader and the Bank Hawaii and renamed the Philippine Haiwaiian Bank and Trust Company.

Match-making role

The role of a match-maker has thus been temporarily assumed by the central bank and it may have to forcefully play that role in the months ahead if the consolidation process is to succeed.

With its substantial exposure to a number of banks in terms of emergency loans and advances, the central bank may be equipped to do just that. But it will have to steer the programme skillfully to pre-empt bank failures.

Mr Fernandez has already warned that the economy could ill afford another bankruptcy but in the ultimate analysis however, he concedes that the fate of banks in the months ahead will be left largely to market forces to determine.

Deputy chairman to leave United Overseas Bank

BY CHRIS SHERWELL IN SINGAPORE

UNITED OVERSEAS Bank, the largest of Singapore's "Big Four" local banks in terms of attributable earnings, is to lose one of its key executives, Mr Allan Ng, the deputy chairman.

Mr Ng, 43, is taking early retirement at the end of December after 18 years with the group. His departure deprives UOB of an executive who has been a major cohesive force during its rapid expansion over the past 15 years.

Because Mr Ng is staying on various group boards in a non-executive capacity, it is assumed he will remain in Singapore and move into other, non-banking fields. With his experience and connections the opportunities in the state or private sector are almost unlimited.

Yesterday's announcement followed persistent reports suggesting differences between Mr Ng and Mr Wee Cho Yaw, the UOB chairman. Bank executives insisted last night that Mr Ng's departure, which he first disclosed to the board last January, was amicable.

The UOB group is Singapore's fastest growing banking group. It now embraces United Overseas Bank, Lee Wah Bank, Chung Khiaw Bank and Far Eastern Bank. It has the greatest number of branches in Singapore outside the government-controlled Post Office Savings Bank.

The group has been in the headlines recently because it wrote off its S$13.8m (U.S.$6.2m) investment in the collapsed Overseas Trust Bank in Hong Kong. Mr Wee himself also attracted unwelcome publicity in a court battle over UOB loans to the developer of Goldhill Square in Singapore.

The bank's assets amount to S$15.4bn including contra items, which puts it second to the government-controlled DBS Bank. It reported a disappointing 10.7 per cent drop in net attributable profit for the year to December 1984 to S$137.3m.

Mr Ng was deputy chairman of all four banks within the group and a director of the United Overseas Land, the merchant banking subsidiary and the property associate. Until recently he was the head of the Association of Banks.

Wattie given green light for Waitaki acquisition

BY DAI HAYWARD IN WELLINGTON

WATTIE INDUSTRIES, the New Zealand food processing company, has been given the go-ahead by the Commerce Commission to acquire up to 51 per cent of Waitaki NZ Refridgerating.

Wattie says, however, that it will only seek 40 per cent. It already holds 24.9 per cent of Waitaki, which is one of the major processing and freezing companies producing and shipping lamb to the UK.

Last April Brierley Investments attempted to acquire 15 per cent of Waitaki but was foiled when Waitaki issued the the rights to 19m share options to Wesfarmers Yimited of Perth, the Australian agriculture products company. This limited Brierley's involvement to 7 per cent and last week Brierley indicated it would be willing to sell this holding at a suitable price.

● NEW ZEALAND'S Development Finance Corporation which was established by the government, is to set up a merchant bank in Australia. The DFC has received approval for a merchant bank license from the Australian Foreign Investment Review Board.

The bank will be a wholly owned subsidiary of DFC.

Interim fall at Metal Closures

METAL CLOSURES, the South African packaging company which is 77 per cent owned by Metal Closures of the UK, suffered a decline in sales volumes in the six months to June 1985, even though sales revenue rose to R26.1m ($12.8m) from R24.9m, Jim Jones reports from Johannesburg.

Operating income slipped to R3.27m from R3.45m. For all 1984 sales revenue was R51.8m and operating income totalled R7.72m.

First-half earnings fell to 83.6 cents a share from 92.9 cents, the interim dividend has been maintained at 31 cents. Earnings were 196.2 cents in 1984 and a dividend total of 75 cents paid.

UK COMPANY NEWS

Andrew Arends looks at the Heinemann-Octopus publishing merger

Marrying fact with fiction

FOURTEEN years after he launched Octopus Publishing Group, Paul Hamlyn has created what he would describe as his planned dream publishing group.

The agreed merger of BTR's publishing subsidiary Heinemann with Octopus, announced yesterday, creates the largest UK book publisher with combined sales for 1985, including book distribution, of around £150m.

Moreover, it gives Octopus, which concentrates mainly in non-fiction books connected with leisure activities, a long established publisher of educational books as well as a leading publisher of general fiction and non-fiction books, with best-selling authors such as George Orwell and Wilbur Smith on its list. Heinemann, said Paul Hamlyn yesterday, "is a very successful old established publishing company with an international record." The two groups, he added, were "totally complementary."

The deal also provides BTR with a neat solution to its problem of what to do with a non-core business such as Heinemann, which it picked up when it took over Thomas Tilling in 1983. After the planned deal takes place BTR will hold a 35 per cent stake in Octopus which, as one City analyst put it yesterday, enables BTR to retain substantial interest in publishing, while effectively hiving off the managerial responsibilities to Octopus.

Octopus, which was launched in 1971 by its current chairman Paul Hamlyn, has developed as a fast-growing publisher of illustrated non-fiction books on cookery, gardening, hobbies, and other leisure activities which are then sold through major retailers and supermarket chains. Since 1971, Octopus turnover has increased from £87,000 in its first full year of trading to over £53m in 1984.

Over the same period, the company has moved from a net loss of £31,000 in 1971 to a record £9.12m profit in 1984.

Over the same period, the company has moved from a net loss of £31,000 in 1971 to a record £9.12m profit in 1984.

While Octopus remains primarily concerned with book publishing in recent years it has also expanded its interests in related fields. In 1980 it set up Tigerprint, which designs and sells stationery products, and in 1984 it acquired Websters Group, which distributes around one-quarter of paperback books sold in the UK.

Moreover, it has also been engaged in publishing activities with other groups. In 1975 it launched a range of books for Marks and Spencer under the St Michael name, and it has more recently done similar deals with J. Sainsbury, the supermarkets group, and Habitat-Mothercare.

Octopus and Heinemann have had close links in the past. In 1976 they set up a joint venture to reprint collections of titles by Heinemann authors in low cost Omnibus editions.

And in the early 1980s, when Heinemann was still part of Thomas Tilling, Hamlyn offered to buy the group.

Heinemann's particular strength lies in the area of educational book publishing, which accounts for 60 per cent of its turnover and profits. In 1984 the Heinemann group itself made pre-tax profits of £7m on turnover of around £40m. It also has a one-third stake in Pan, the paperback publisher.

But the group also retains a strong general publishing side, with a long list of leading authors.

Sir Owen Green, BTR chairman, said yesterday that a number of groups had approached BTR with a view to buying Heinemann, but that he had turned down a straight sale.

Sir Owen added that BTR regarded Heinemann as a small but precious asset it wished to retain hold of, particularly as it saw the publishing field as a rapidly growing area.

Sir Owen Green (left), chairman of BTR, which is merging its publishing subsidiary Heinemann with Mr Paul Hamlyn's Octopus

Vintage profits for Merrydown

TEN YEARS after the re-introduction of vintage cider by Merrydown Wine, Mr I, Howie, the group chairman, reports profits of £1.26m against £937,000 before all charges including tax.

The improvement for the year to March 31 1985 came out of sales ahead by only 8 per cent at £8.81m (£8.15m). Mr Howie says that a continued advance in vintage cider sales was partly offset by reduced sales of low margin bulk products.

He adds that despite an above-average increase in cider duty, and the deplorable weather, cider sales for the June quarter have shown a satisfactory increase in England and Wales, but sales in Scotland suffered from heavy pre-budget stocking.

However, July has seen this market picking up well and the chairman looks forward to the company further extending its market share.

The current year, says Mr Howie, sees the peak of the present programme of capital expenditure with an estimated £750,000 being spent on additional fermentation capacity and improved bottling lines. He expressed confidence that this expenditure would enable the company to meet increasing demands over the next few years with minimal further investment and additional improvement in productivity.

The final dividend is raised from an equivalent 4.44p to 5p for a total of 6p per share (5.33p adjusted). Earnings are given as 24.13p (21.11p adjusted).

The company, which has a USM listing, is also proposing a one-for-eight scrip issue.

Greggs up by 36%

BOOSTED by the Braggs acquisition last August, pre-tax profits of Greggs, bakery products retailer, expanded by 36 per cent to £667,000 in the 24 weeks ended June 15 1985, against £492,000.

The directors point to favourable weather and the initial recovery from the effects of the miners' strike as additional benefits.

Turnover rose from £17.74m to £21.38m.

After tax of £307,000 (£236,000) earnings are given as 3.28p (2.5p) per share, from which a higher interim dividend has been declared of 1.65p (1.4p) —last year's final payment was 2p paid from pre-tax profits of £1.92m.

Since the beginning of the year the group has opened nine shops in existing trading areas, and these are performing in line with budget, directors say. A further seven openings are planned before the year end.

Mr Ian Gregg, chairman, adds that current trading remains encouraging and he expects to report a satisfactory improvement for the year as a whole.

BSG bids £5.5m for Adams & Gibbon

By Martin Dickson

Adams & Gibbon, the motor dealer, which earlier this year fought off a £4.75m takeover bid from Keep Trust, yesterday found itself the target of a new £5.5m bid from BSG International, the motor dealer and accessory manufacturer.

BSG is offering nine of its shares and 76½p in cash for each Adams ordinary share and £1 in cash for each £1 preference share.

On the basis of BSG's unchanged closing price last night of 25½p, the offer is worth 306p for each Adams share. On the Stock market, Adams shares closed at 290p, up 54p on the day.

There was no immediate response to the offer from Newcastle-upon-Tyne-based Adams, which operates eight Vauxhall-Opel franchises, with further franchises for Bedford, Austin Rover, Toyota.

BSG operated dealerships for a large number of manufacturers, including Ford, Vauxhall, Opel, Bedford and Austin Rover. It also makes automotive components, such as seat belts, sunshine roofs and lighting.

BSG said yesterday that the Adams business was complementary to its motor-trade activities. The merging of the two companies would provide the enlarged group with a substantially wider geographical coverage and increased representation of the growing Vauxhall, Opel and Bedford franchises.

BSG had pre-tax profits of £4.2m in the year to December 1984, on turnover of £301m. Adams had pre-tax profits of £653,841 in the year to November, on turnover of £33.2m.

Earlier this week it reported first-half profits of £462,247, up from £364,267, and said it was confident of meeting the £800,000 forecast in its defence against Keep Trust.

Renold continues its improvement

THE INCREASE in demand experienced by Renold in the last financial year has continued into this year, according to the chairman, Sir Campbell Adamson, at the annual meeting.

The only exceptions were France and South Africa. In France considerable reductions had been made in the workforce and there was some slight strengthening in demand but in South Africa little change was expected during the year.

Sir Campbell added that most of the group's companies were improving and, following many years of low investment, there would be a considerable increase in the resent year.

It was expected that there would be encouraging profit increases at both the interim and final stages, although volatile exchange rates would have some effect.

Burton demands Fraser makes its intentions clear

BY MARTIN DICKSON

House of Fraser, the stores stores group, is believed to have increased to more than 15 per cent its stake in its High Street rival, Debenhams that was prompted by Burton Group which is making a £550m takeover bid for Debenhams, to make representations to the Takeover Panel about House of Fraser's tactics.

Burton's financial adviser, S. G. Warburg, told the Panel yesterday that it thought House of Fraser should make its intentions towards Debenhams clear in the interests of all parties.

House of Fraser has been buying shares in Debenhams since the launch of Burton's bid, which closes on Friday, but it has never made its purpose clear.

The company officially informed the Stock market yesterday that share buying on Friday had taken its holding in Debenhams to 14.55 per cent. But it was understood to have been in the market again yesterday, lifting its stake above 15 per cent.

Debenhams share price rose 13p on the day, closing at 321p. That compares with a Burton share and loan stock offer worth 326p on the basis of Burton's closing price of 444p, up 6p. There is a 327p cash alternative.

Burton's case to the Takeover Panel is based on the assumption that House of Fraser now holds more than 15 per cent of Debenhams. It argues that 15 per cent is regarded in the takeover code and by the Office of Fair Trading as an important landmark. In view of this House of Fraser should clarify its position.

However, the takeover code permits a company to increase its stake in another by 10 per cent in any seven day period after it passes 15 per cent. House of Fraser could, if it wanted, buy up to about 23-24 per cent of Debenhams before Burton's offer closes.

The Office of Fair Trading begins monitoring one company's involvement in another at 15 per cent, to see whether there is any material influence on the management.

But the OFT rules would not prevent further share purchases by House of Fraser up to the level permitted by the takeover code.

Panel meeting off as Cartwright goes to law

A MEETING of the Takeover Panel, which was due today to rule in the £11.9m takeover battle between Newman Tonks and R. Cartwright (Holdings), was cancelled last night on the announcement that Cartwright is to start legal proceedings in connection with the offer.

Earlier the High Court ordered Newman Tonks to stop making unqualified statements to the effect that it had succeeded with its bid and Cartwright gave an undertaking not to claim in its statements that Tonks had failed. The court also banned Tonks from inviting any further acceptances from Cartwright shareholders.

At issue between the two companies is the count of shares on Friday, the final closing date for the offer of 20 Tonks plus 50p for every 10 of Cartwright's shares.

It is claimed that a parcel of 250,000 shares was counted twice, both as purchases on the market and as assigned shares from the vendor Save & Prosper. The 3 per cent of Cartwright's equity involved would make the difference between the bid succeeding or failing. On Friday Tonks claimed that it held 52.349 per cent of Cartwright's issued shares.

Both companies are suppliers to the building industry and the DIY market and are based in the West Midlands.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
‡Andre de Brett	nil	—	nil	nil	1
Arlington Motor	7	—	6	9.5	8.5
British Vending ... int	0.59	—	0.46	—	1.05
Bullough ... int	2.7†	Sept 11	4.5	—	12.6
Equipu	3.1†	—	1.3	4.5	4
‡Equity Finance	0.71	Aug 27	0.71	1.31	1.31
European Assets ... int	0.04¶	—	0.04	—	0.1
Ewart Northern	4	Oct 18	3	6	4
Greggs ... int	1.65	Oct 14	1.4	—	3.4
Merrydown‡	5	—	4.44*	6	5.35*
Norton Opax	2	—	1.67*	2.83*	2.5*
Temple Bar ... int	‖2	—	1.65	—	4.65
F. H. Tomkins	†1.48	Oct 3	1.17	2.25	1.8

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Figures in guilders. ‖ To reduce disparity.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—A.C. Cars, Aaronson Brothers, J. Jarvis, National Westminster Bank.

Finals:—Macarthys Pharmaceuticals, New Court Natural Resources, Steven Zigomala.

FUTURE DATES

Interims:—	
CSC Investment Trust	July 31
Highcroft Investment Trust	Sept 1[illegible]
Jacobs (John I.)	Aug [illegible]
Plen Invest	Aug 8
Queens Moat Houses	Aug 2[illegible]
Renown Inc.	Aug 5
Rights and Issues Invest. Tst.	Aug 5
U.S. Debenture Corporation	Aug 2[illegible]
Finals:—	
Ailsa Investment Trust	Aug [illegible]
Property Security Invest. Tst.	Aug [illegible]
Radiant Metal Finishing	Aug 6
Sungei Besi Mines Malaysia	July 31
Yorkshire Chemicals	Aug [illegible]

F. H. Tomkins on target with 48% growth to £3.52m

IN LINE with the forecast made in May at the time of the group's £11.7m rights issue, F. H. Tomkins, West Midlands engineering concern, has turned in taxable profits of £3.52m for the year ended May 4 1985, a rise of 48 per cent, and earnings per share of 8.33p, a 36 per cent advance. Previous figures were £2.4m and 6.12p respectively.

In May, the directors said that pre-tax profits would be over £3.25m and that earnings per share would rise to 8p for the 12 months.

Also as forecast, the final dividend is 1.475p (1.165p), lifting the total to 2.25p (1.8p).

Mr M. R. N. Moore, chairman, says that the results illustrate the first full-year effect of the introduction of the company's corporate philosophy into the existing businesses, as well as *new acquisitions.*

"Your board remains committed to the development of your company into a broadly based industrial company with earnings per share increasing every year, and with a progressive dividend policy," he says.

The company has been transformed by acquisition in the past two years. Since Mr Greg Hutchings, the chief executive, joined in 1982 the company has acquired Ferraris Piston Service, a motor parts distributor for £2.2m, and Hayters, a USM-quoted grass cutting machinery maker, for £4m. In May, Mr Hutchings indicated that the next acquisition could be substantially larger, possibly worth £10m to £20m.

To this end the group, as announced on June 13, is acquiring seven subsidiaries of Guest Keen and Nettlefolds. Because of the integrated nature of one of them, Firth Cleveland Engineering with Firth Cleveland Steel Strip, the directors state that it has been agreed to include this latter company with its U.S. associate, Firth Cleveland Steels Inc. in the package. One subsidiary, Ionic Plating Company, has been excluded.

The total consideration for the *eight companies is expected to be* some £14m made up of a sum equal to the aggregated audited net asset value of the eight companies as at August 12 1985, which is estimated to be some £11.5m. This will be payable in two stages this year, together with a further £2.55m payable in August 1987.

Of the consideration payable this year, up to £7.2m is to be satisfied by the issue of up to 3.5m new ordinary shares and the balance to be paid from Tomkins' own resources.

The directors say the proposed acquisition will "substantially increase the size and broaden the base of the group." They point out that the eight companies are "*sound profitable businesses*" and that there are opportunities for growth within them which can be developed in the smaller environment of Tomkins.

Mr Gregory Hutchings

Group turnover for the 1984-85 year expanded from £25.93m to £35.79m and trading profits amounted to £4.17m, compared with £2.85m. Interest payable took £655,000 (£472,000). After tax, £1.3m (£770,000), minorities, £1,000 (£22,000) and an extraordinary debit of £602,000 last time, the attributable balance came through ahead from £979,000 to £2.22m.

● comment

Mr Greg Hutchings's formula for building up a diversified industrial holding company with impressive growth in earnings per share and dividends has passed its first full year's test with flying colours, and looks on track for another year of the same. All the companies bought from GKN by Tomkins are profitable, and having taken the Hutchings motivating medicine they could chip in about £1.5m for the seven months that will be consolidated into this year's results. Twelve months contribution from Hayters, which has still to feel the benefits *of the new management team,* and about £1m in interest on the proceeds of last month's rights issue, could mean that profits in the current year are almost doubled to about £6.5m. This is no news to the market which values the company on a p/e of about 18 with the shares at 201p (37 per cent tax). That sort of rating is not merely with events but seems to be anticipating another round of successful acquisitions in the next few months. The company has £1m of Hanson-style investments in quoted companies tucked away in its balance sheet, out of which could come a worthwhile takeover project to take care of Tomkins £7m cash pile.

Seasonal offshoots hit growth at Bullough

DESPITE an increase in turnover of 35 per cent in the first half, the pre-tax profits of Bullough, the engineers and furniture manufacturers, rose by only 6 per cent.

On turnover up from £36.56m to £49.5m, taxable profits showed an increase of £246,000 to £4.7m. On capital increased by the one-for-one rights issue earlier this year there will be an interim payment of 2.7p compared with 4.5p last time.

The board says that profits were siimlar to the forecast at the time of the rights issue. The group's main subsidary, Project Office Furniture had another good performance but the full results were inhibited by the seasonal pattern of profits from some of the more recently acquired subsidiaries.

The results of other companies were mixed, but together they increased their profits.

The second half is expected to show further growth in earnings per share.

The board adds that it is continuing to look for acquisitions.

The pre-tax figure was struck after a tax charge of £1.97m, against last year's £1.9m when there were also extraordinary items of £14,000. Attributable profit was £2.73m (£2.54m) and with dividends taking £973,000 (£811,000) the retained profits came out at £1.76m, against £1.73m for the previous year.

Earnings per share were up by 0.38p to 8.45p.

Second half problems at Arlington

AFTER ACHIEVING record first-half pre-tax profits of £1.07m, Arlington Motor Holdings, motor dealer, fell away in the second half and ended the year to March 31 1985 down at £1.46m compared with £1.82m. The total dividend is increased however, from 8.5p to 9.5p net with a final increased by 1p to 7p.

Group turnover climbed from £77.9m to £81.64m, but trading profits were lower at £2.34m (£2.54m) after administration expenses up from £309,000 to £342,000. Investment income was unchanged at £8,000, but share of profits from Arlington Motor Finance was £123,000 (£38,000).

Interest charges were £1.01m against £74,000, and there was a tax charge of £211,000 (£181,000). Extraordinary credits totalled £344,000 compared with £128,000 debits last time. Stated earnings per 25p share were reduced from 36.4p to 27.8p.

Commenting on the year's activities, the directors say the second half had its problems which prevented the company matching last year's record profits. Its auctions continued to race ahead and trading profit from them increased to £975,000 for the year. Contract hire and leasing also did well, increasing its contribution by one half.

They add that vehicle sales *departments have been disappointing.* Car sales fell by 20 per cent as a result of strikes and because of the uneconomic market conditions which the company was not prepared to match.

Profit was also affected by Vauxhall Motors' decision to cut back on sales incentives. Although the new Leyland Roadrunner and Mercedes Benz 7½-ton trucks have been well received, the pressure on margins has produced less profit from truck sales.

The result of the bus and coach sales department was worse than expected, again reflecting the problems of the market. Dis-

The board is confident in the plans put into effect for the group's development.

● comment

Arlington Motor did well to *diversify out of its traditional* business of lorry and car sales: if it were still totally dependent on these it would be in dire straits today. As it is, the group has retained the confidence of the market and the share price held steady at 182p in spite of the disappointing performance. Investors hoping for a speedy upturn, however, could be in for a disappointment. The auctions business should continue to perform well this year, and so should contract hire and leasing. However, volume car sales for the crucial month of August are even worse than last year's; lorry sales are up but over-supply means profit margins are down; and coach sales are depressed as the industry waits to see what form legislation on the deregulation of bus services will take. Much this year depends on how the operations at Brimsdown *perform. They were badly dis*rupted by last year's move but are now beginning to recover. However, interest charges are set to remain high pending a reduction in the group's coach stocks and the 1984 pre-tax profit figure of £1.8m is unlikely to be beaten. If it is equalled, a 10 per cent tax charge would put the shares on an undemanding prospective p/e ratio of 5.

Racal less pessimistic over full year

SIR ERNEST HARRISON, the *chairman of* Racal Electronics, sounded a slightly more optimistic note than of late in his statement to shareholders accompanying the annual report published yesterday.

He confirmed that profits would be down at the interim stage—the original announcement of a profit downturn last month wiped £165m off the group's capitalisation—but held out the prospect of an increase for the year as a whole.

This will be despite the absorption of £15m losses associated with the group's Racal-Vodafone cellular radio project. Sir Earnest *said that this* figure represents a peak for costs, and that operations will be at break-even in the final quarter of the current year. He projected an operating profit of £5m next year before interest.

The service will be available to 80 per cent of the population by mid-1986, said the chairman, "well ahead of schedule."

He also reported good prospects for all the group's main division with the exception of the troubled Radio-Vadic operation in the U.S. This was facing another difficult year, and would incur a small pre-tax loss.

*As regards the other U.S. con*cern, Racil-Milgo, Florida, order intake was low in the first two months of the year, but has since improved. "Subject to there being no weakening of the U.S. economy that company is confident of having another good year," said Sir Ernest.

Racal's shares rose 4p yesterday to 136p.

● National Westminster Bank has placed two communications equipment orders worth about £18m each with Racal-Milgo, a subsidiary of Racal Electronics, and the British subsidiary of NCR, the U.S. computer manu*facturer.*

The equipment will be used for the second phase of the development of NatWest's internal communications network, which is intended to provide data communications links between more than 10,000 terminals in about 2,000 branches and departments.

Racal, which will supply network switching and management equipment, said its order was the largest ever received by its data communications division. NCR will supply branch interface equipment.

BVI starts year with 30% profit advance

TO HELP finance acquisitions British Vending Industries is proposing to raise about £949,000 through a 1-for-4 rights issue of 2.13m shares. The 10p shares will be offered at 47p and the issue has been *underwritten.*

In the six months to the end of June 1985 the company, which makes and sells powdered vending ingredients and markets medical disposables, saw taxable profits rise by 30 per cent to £307,000 (£237,000) on turnover up by 15 per cent to £13.19m (£11.46m). The interim payment is raised from 0.46p to 0.59p.

Last year a total of 1.05p was paid on taxable profits of £587,000.

The directors say that the company is trading very satisfactorily with progress being made in most activities. It is *anticipated that growth will* continue.

Turnover in fast food and medical disposables has been growing at 15 per cent a year and sales of fresh coffee are also expanding rapidly. That has created a need for extra working capital, for which part of the rights issue cash will be used.

The pre?tax figure was struck after interest charges of £42,000 (£7,000). Tax took £107,000 (£79,000), leaving earnings per share at 2.35p against 1.86p for the previous year.

The Morgan Bank brings U.K. corporations opportunities in world financial markets

Discussing a capital markets answer to a client financing need are Morgan officers, from left, Oliver Parr, Roderick Peacock, Alfred M. Vinton Jr., who heads the bank's London office, and Charles Dumas of Morgan Guaranty Ltd.

Today's credit and capital markets are growing—and growing together. The result: multinational corporations can choose from a wide range of financing alternatives. The Morgan Bank offers unique strengths that can help treasurers in the U.K. exploit these opportunities.

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Morgan corporate finance experts help clients plan and negotiate mergers, acquisitions, and divestitures. Through capital structure analyses, diversification strategies, and valuations, we advise on timing and financing alternatives.

We also offer traditional banking services, from lending in local and Eurocurrencies to bridge and term loans, project finance, foreign exchange.

Some examples of how Morgan serves U.K. clients:

☐ Morgan Guaranty Ltd was lead manager of the Hawker Siddeley Group's most recent issue in the Eurobond market. The $50 million issue—one of the few straight Eurodollar bond offerings made by U.K. industrial corporations in 1984—was combined with an interest-rate swap. This enabled Hawker Siddeley to refinance a major portion of its floating-rate debt at a margin significantly below LIBOR.

☐ We initiated and completed two interest-rate swaps for a major U.K. company. The first gave the client a floating interest rate at more than 400 basis points under LIBOR against a seasoned dollar fixed-rate convertible issue. Then, following a fall in interest rates, we unwound the first swap, locking in a gain of over $500,000 for the company.

☐ Morgan Guaranty Ltd worked with British Petroleum in its recent bond market financing and served as lead or co-lead manager for Eurobond issues in U.S. dollars, Japanese yen, and sterling.

☐ A leading U.K. public company consulted Morgan on financing a potential £250 million overseas acquisition. Within four days we made a confidential offer to underwrite the entire cost. Our fast response and thorough analysis enabled the client to make a timely bid.

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UK COMPANY NEWS

Norton Opax plans further growth

FOLLOWING on from the three acquisitions in 1984-85—including the £21m purchase of Sir Joseph Causton and Sons—specialist and security printer Norton Opax yesterday made clear that its plans for further expansion are well advanced.

The company wrote off some £17m in goodwill from its balance sheet at March 31 to reflect the Causton takeover. With net borrowings at £11m this has pushed gearing up to 99 per cent, but Mr Richard Hanwell, group managing director, insisted yesterday, "this will not restrict our acquisition plans."

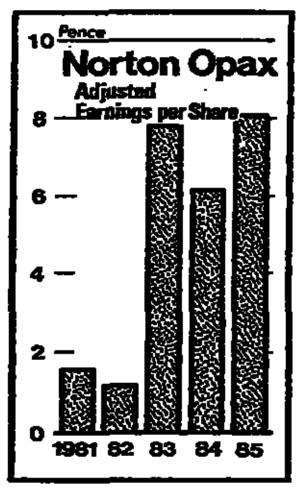
He said that Norton had a very positive cash flow, and there was no need for extra funds at the present. As evidence of its rapid expansion moves, Mr Hanwell said that the group will shortly be announcing two further, unspecified cash deals.

The Causton acquisition added eight weeks trading to the group's figures for the year, also announced yesterday, which showed a rise of 69 per cent to £2.2m at the pre-tax level. After taking account of interest-costs, however, the Causton impact on profit was "not significant."

Group interest charges rose sharply overall, from £358,000 to £1.09m, and cut back the rate of improvement which at the trading level—up from £1.63m to £3.26m—stood at 100 per cent.

Group turnover soared from £17.63m to £40.74m. Mr Hanwell estimated that the inclusion of a full year from the acquisitions would have pushed turnover up to £62m and produced trading profits of £5m, but he was relaxed about market estimates of £4.2m for the current year.

Mr Richard Hanwell



Group capital expenditure of £4m has been authorised for the current year, against £3.75m.

The group does not break down its profits yet on a divisional basis, but is planning to do so in next year's set of accounts.

This year the security printing division, which includes the lottery ticket operation, is expected to make up around 30 per cent of group turnover. Three years ago lottery tickets made up 92 per cent of group turnover, which today has fallen to slightly less than 10 per cent.

The group's recent successes have included a £1m a year lottery ticket contract in Sri Lanka.

The tax charge totalled £740,000 against £568,000. Net profits came out at £1.46m against £734,000, with earnings per share stated at 8.07p (6.17p).

The final dividend is lifted from an equivalent of 1.67p (adjusted for last December's scrip issue) to 2p for an effective increase of 0.33p to a ottal 2.83p.

The increased dividend will account for £684,000 against £253,000, leaving retained profits at £886,000 (£790,000).

● comment

Norton Opax was anxious to show yesterday how well the Causton acquisition fits into the group, virtually doubling its turnover and increasing the spread of its businesses, particularly in publishing and distribution. So far Mr Richard Hanwell, the chief executive, has to be taken at his word since the Causton companies made a negligible after-interest profit in the two months in which they contributed to these figures. In the current year, the picture should be very different, with turnover running at £70m annually taking the group to about £4¼m pre-tax. But then profits growth needs to be dramatic to keep pace with the flow of paper issued in pursuit of acquisitions since Mr Hanwell joined Norton in 1982. While earnings per share at 8.07p are nearly 31 per cent up on 1984, that year's figure was hit by an unusually high Australian tax charge; the increase in earnings per share over 1983 is just 3.3 per cent. Looking to the current year, the forecast profit gives earnings of 9p a share after a 35 per cent tax charge—a modest 12 per cent increase. Acquisitions have transformed Norton Opax into a medium-sized specialist printing and publishing company, able to look the likes of McCorquodale in the eye. The task now is to make the effect of that transformation apparent on earnings. Trading at a multiple of 12 times prospective earnings, the shares, down 1p at 107p, look fair value.

Market welcomes Equipu's 60% advance

THE STOCK market welcomed the first full-year figures from Equipu since its elevation to a listing from the USM in November by marking the shares up 12p to 202p.

The Bristol-based office equipment group saw taxable profits surge by 60 per cent on turnover up by 80 per cent.

For the year to the end of April 1985 turnover was £15.41m, compared with £8.55m for the previous year, giving pre-tax profits of £1.4m (£876,000). On capital increased by last year's rights issue, a final payment of 3.1p is recommended, against 1.3p, making a total of 4.5p (4p).

Mr Philip Bradshaw, the chairman, says that the main reason for the advance was an increase in sales volume. As well as internally-generated growth there were first-time contributions from Purdie and Kirkpatrick and Equipu BCG.

He adds that there was a substantial increase in sales staff costs in the second half, the benefits of which had yet to be realised.

In the photocopying division the machine base grew by 80 per cent with the acquisition of Purdie playing a part in that. In the general business division sales were good with margins maintained. Larger contracts were being acquired with the development of the contract furnishing division.

Datalink Micro Computer Systems showed good growth in turnover and profits, Mr Bradshaw says. The small business computer division of Purdie should contribute to profits in the present year.

The cash register company, Equipu BCG, proved a good purchase and was already providing good profit contributions. Equipu Telequip, acquired in May 1984 started to move into profit after breaking even for the first 10 months of the year.

The leasing division was making a satisfactory contribution to results but, Mr Bradshaw adds, also gives better control of the customer base for photocopiers.

He expects all the companies within the group to show improved profits in the present year and looks to the future with confidence. Further growth will come from the development of the existing branches as well as further acquisitions rather than opening new branches.

The tax charge was £369,000 against £250,000 last year, when there was also an extraordinary item of £108,000. Dividends took £350,000 (£155,000), leaving retained profits at £730,000 against a comparable £362,000.

Earnings per share came out at 18.94p, against an adjusted 13.58p.

● comment

Bristol-based Equipu might have appeared to be in danger of overstretching its tentacles when it took over Purdie and Kirkpatrick of Scotland last November, but the decision has been vindicated by these results. Purdie itself contributed £330,000 to group pre-tax profits and even without it organic growth would have been respectable enough, with turnover and profits up by about 22 per cent. It was therefore not surprising to see the City giving the figures a hearty welcome by putting the shares up 12p to 202p. This year promises more of the same: organic growth is forecast in all divisions and the group expects to benefit from an increase in sales staff in last year's second half. There will also be attempts to fill in more of the gaps between Land's End and John O Groat's with further acquisitions of small dealerships. The purchases will be for paper; although operational gearing is nil, the group's leasing activities have raised it to 40 per cent and the group has no wish to see it go any higher. A profits forecast is difficult with acquisitions an unknown quantity but the historic p/e ratio looks undemanding at 11.

Bairstow gains major foothold in the North

By Michael Cassell, Property Correspondent

Bairstow Eves, the fast-expanding, residential estate agency which obtained a London stock exchange listing in 1982, is acquiring Bridgfords, an agency based in south Manchester, for £2.4m. There will be an additional payment of up to £500,000 if profit forecasts are met.

The deal will take the number of Bairstow Eves branches nationwide to 137 and gives it a major foothold in the north of England. Bridgfords has been established in the Manchester area for over 150 years and some of its 23 offices are also in Derbyshire, Staffordshire and Cheshire. Net asets are not less than £272,000.

In March this year, following a £7m rights issue, Bairstow announced another profits-linked deal to acquire Kilroy Estate Agents, with eight offices in Bedfordshire and Northamptonshire. The following month it purchased Millers, an agency operating in Banbury and Northampton. Acquisitions in 1984 included Peter Rainbow and Associates, the mortgage and insurance brokers, and Taylors, a 14-branch agency based in Northamptonshire.

Mr Colin Finch, managing director of Bairstow Eves, said yesterday that the purchase of Bridgfords represented a major step forward in the company's plan to establish a national, residential estate agency business.

The sale is being satisfied by the payment of £800,000 cash and the allotment of 2.04m Bairstow Eves ordinary shares in 1986, 1987 and 1988 at a price of 80.2p a share, according to profit performance. Bridgfords have warranted that total, pre-tax profits for the three years ending August 1988 will be not less than £1.17m.

If pre-tax profits exceed this amount, Bridgfords will receive a bonus payment of £1 for £2 of additional pre-tax profit, up to a maximum £500,000, to be settled by the payment of Bairstow ordinary shares. If profits fall short of those forecast, the deferred consideration will be reduced by £1.40 for each £1 shortfall.

Mr Ian James Fraser CBE, MC, Joint Chairman of Lazard Brothers & Co., Limited, wishes to make it clear that he is not the Mr Ian Fraser who was formerly a Director of Johnson Matthey Bankers Limited.

UK COMPANY NEWS

Neepsend cautious despite profit rise

DESPITE A second-half recovery which saw profits for the full year rise by almost 2½ times, the directors of Neepsend are still cautious about the future.

After a pre-tax loss at the halfway stage of £102,000 the full-year profit figure was £353,000 (£145,000), earned on turnover which was 27 per cent higher at £22.97m, against £18.12m for the previous year.

However because of uncertainties, which are outside the control of the directors, they feel the dividend should be maintained at 0.1p. They add that consideration of an increase should be deferred until at least the interim stage in the present year.

The uncertainties include high interest rates, the highly-valued pound, the falling price of molybdenum, which is affecting the performance of the Ferro Alloys subsidiary, and the receipts from property sales.

The directors say that provision was made for all likely write-downs and losses in Canada and there are indications the Canadian companies could produce trading profits in the future. In the British companies some improvement was apparent.

The pre-tax figure was struck after interest payments of £768,000 (£719,000). Tax took £32,000 (£2,000) and there was a minorities credit of £10,000 (£1,000 debit) and an extraordinary profit of £42,000 (£229,000 loss) leaving earnings per share more than doubled at 2.44p (1.04p).

J & J Dyson lower

J. & J. DYSON, manufacturer of refractory materials and articulated trailers, reports lower pre-tax profits of £727,707, against £999,331, for the year to March 31 1985. Turnover rose from £39.61m to £41.43m. The final dividend is unchanged at 2p, maintaining the total at 4p.

Watsham's growth continues through second six months

THE improvement seen at halfway at Watsham's continued throughout the second half and resulted in pre-tax profits improving from £1.46m to £2.17m in the year to March 31 1985. At halfway, profits rose from £602,634 to £886,077.

The board says current trading and prospects for the development of the company continue satisfactorily and are in line with planning and expectations. A major development during the year was the acquisition of the Lontec Group.

The future potential of the Lontec group should now be realised after its successful integration, directors state. Since the year-end, a further acquisition, by Lontec, of Drayton Technical Services has been announced and paid for in cash.

The group dividend is raised from 2.75p to 3p with a final up from 1.92p to 2.1p net. Stated earnings per share improved from an adjusted 6.9p to 7.6p.

Group turnover for the year was considerably higher at £18.26m compared with £7.46m. The cost of sales climbed from £4.48m to £10.99m, leaving gross profits of £7.27m (£2.99m). Interest payable was £30,000 against £7,000 while tax was £805,000 (£532,000). There were extraordinary debits of £83,000 (£100,000).

The group's development in the optical divsion includes the opening of the L and S circuit plant at Stroud. In addition, substantial expansion of Dallymeyer optics has taken place in North Wales with the opening in July 1984 of a new plant.

The directors view prospects for the group with confidence.

Bowring up 70% to £33m

A 70 PER CENT increase from £19.4m to £32.9m in net pre-tax profits is reported by C. T. Bowring for the six months to June 30 1985. Operating revenue showed a 31 per cent rise to £74.4m.

Bowring is a subsidiary of Marsh & McLennan Companies Incorporated, which is considered to be the leading insurance brokerage firm in the world, and which has broadened its activities to include a consulting and financial services group. It provides this professional advice and service to a predominantly corporate clientele, through 500 offices in 50 countries, staffed by 17,000 employees.

The pre-tax figure was after operating expenses up from £37.6m to £42.9m, and these included £25.6m (£22.8m) remuneration and other employee costs, and other operating expenses totalled £17.1m against £14.8m. Interest receivable was £1.5m against £300,000, and other expenses took £100,000. The provision for UK tax was up from £9.2m to £13.9m, leaving net profits of £19m compared with £10.2m.

The directors point out that the company's figures do not constitute full group accounts for the Bowring Group and have been adjusted to comply with generally accepted accounting practices in the U.S.

Burmatex falls midway

A DIFFICULT first quarter, with pressure on margins, helped reduce pre-tax profits at Burmatex from £774,000 to £689,000 in the six months to end-May 1985.

The group, which makes carpets and carpet tiles, improved turnover by 13 per cent from £3.5m to £3.97m, but operating profit fell to £645,000, against £706,000 previously.

Mr J. B. Burrows, the chairman, says that pressure on margins eased in the second quarter. The pattern of above-average sales in March was re-established this year and the present level of trding is satisfactory. He says that a better second half can be expected.

A same again 2p interim dividend is declared.

Murray Trust

A modest increase from £1.19m to £1.29m in pre-tax profits is reported by Murray Smaller Markets Trust for the year to May 31, 1985. The final dividend is raised from 1.6p to 1.8p net for a total up from 2.2p to 2.5p.

CONTRACTS

China orders £12m tobacco machinery

AMF LEGG, Andover, has signed a technology transfer agreement with the China National Tobacco Corporation in Beijing to supply technology relating to its tobacco cutting machine, to train Chinese engineers and technicians, and supervise the manufacture, assembly and use of the machines. In return the Chinese have agreed to buy from AMF Legg 24 tobacco cutting machines and other equipment to a value of £12m.

★

EXCLUSIVE CLEANING GROUP, a subsidiary of Brengreen (Holdings), has been awarded a five-year cleaning and maintenance services contract for the main terminal and outstations at Gatwick Airport. Commencing on November 5 it is worth a total of £4m, and was awarded by the British Airports Authority.

★

The Electronic Rentals Group, which incorporates Visionhire, has placed a contract for about 750 personal computers and software from ICL. Worth nearly £4m over the next 12 months, the contract involves installation of an ICL personal computer at the point of sale in each of Visionhire's 424 showrooms throughout the UK. A further 320 personal computers will be supplied to the group's service contracting subsidiary, Serviscope Electronics, which has 280 service locations. The personal computers in the Visionhire showrooms will be installed with cash drawer and printers and will be linked directly by overnight auto dialling to the group's ICL 2900 Series mainframe in Preston.

★

An order worth more than £350,000 for the replacement of eight vertical waste heat recovery steam boilers at RAF Fylingdales has been obtained by the Cochran unit of NEI INTERNATIONAL COMBUSTION. Two of the eight boilers are of the composite type. These permit full load operation when either directly fired with a heavy oil pressure jet burner or when using waste exhaust gases. The remaining six steam boilers are of the basic waste heat recovery type.

★

A contract worth £1.4m has been placed with the communications division of TELEFUSION for a closed circuit television (CCTV) traffic surveillance system on the new Hatfield to M25 section of the A1 (M) motorway and related sections of the M25 and M1. The control centre will be situated at the Hertfordshire Police HQ at Welwyn. The contract has been placed by the Department of Transport and is for the installation of a 34-camera system using the latest single mode fibre optic cable for video transmission. All the cameras will be controllable and 16 will be used for surveillance of traffic flow in the Hatfield tunnel, which is to be part of the new A1 (M) section. The remaining cameras will monitor traffic on the M25 from Junction 20 to Junction 23 and on Junctions five to eight on the M1.

★

HAL COMMUNICATIONS, Farnborough, has won a £1m export order for its new British designed and manufactured 8000 series microcomputer disk subsystem. The order, from DIF Electronics, Paris-based computer peripherals distributor and subsidiary of Ryo Informatique, calls for the shipment of some 400 units with IBM PC, XT, AT and Apple Macintosh interface cards over a 12-month period commencing in August.

★

DELTA DATA SYSTEMS, Welwyn Garden City, has won three orders for its Tempest equipment in Italy. A range of Delta 7260 and 8260 video display terminals and DR5000 printers have been ordered by Phillips Telecommunications ($219,000), EIS Electronica Ingeneria Systemi ($313,000) and Page Europa ($202,000). All three installations are for Nato and Italian Ministry of Defence applications in Rome.

★

HIGHFIELD GEARS, Huddersfield, has built on behalf of TheatreTech, the theatre stage elevators for the new opera house currently being constructed in the special economic zone of Shenzhen, across the border from Hong Kong, in the People's Republic of China. The opera house will be the first to be built in China since the cultural revolution. The special gearing and transmission for the elevated stages is worth about £500,000. The main stage is 17.5 metres in width by 22 metres depth and is split into seven separate elevators, all with a vertical traverse of up to 6.5 metres with four Highfield geared drive units per elevator. The orchestra pit in front of the stage is kidney shaped, with an inner and outer portion, with 26 individual Highfield Lift geared drive units with a maximum traverse of 3 metres.

★

PRESS CONSTRUCTION has won a £4m-plus contract from Shell UK Exploration and Production for pipework for the Fulmar Gas Project at St Fergus near Peterhead in Aberdeenshire. Awarded by engineering contractor The Ralph M. Parsons Company, the main element will be the installation and testing of some 19,000 metres (12 miles) of pipework—some of it thick-walled—in Shell/Esso's existing gas-processing plant at St Fergus. The work, which will also include the erection of plant and related steelwork, will be carried out to very stringent quality-assurance standards under direct Press control. Completion date is August 1986. The terminal is being modified and expanded by Shell Expro on behalf of Shell and Esso. When completed, the facilities will receive and treat gas and gas liquids delivered by the 180-mile-long sea-bed pipeline from the Fulmar Field in the central North Sea.

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FT COMMERCIAL LAW REPORT

Brokers not liable to reinsurers

THE ZEPHYR

Court of Appeal (Lord Justice Oliver, Lord Justice Stephen Brown and Lord Justice Mustill): July 25 1985

WHERE A broker expressly indicates to one syndicate that liability for proposed reinsurance is likely to be a certain percentage of the accepted risk, he is not liable for the excessive reinsurance liability of another syndicate which relies on an inference as to the percentage, but to which no express indication is given.

The Court of Appeal so held when allowing an appeal by Lloyd's brokers, Berisford Mocatta and Company, from Mr Justice Hobhouse's decision (*FT, November 1, 1983*) that they were liable in damages to reinsurers represented by Mr Ian Posgate, in respect of excessive reinsurance liability.

* * *

LORD JUSTICE MUSTILL said that in the London market business was offered to a reinsurer in the form of a slip, tendered by the broker to the underwriter.

If the underwriter decided to accept the whole or part of the risk he placed his initials on the slip, against a statement of the amount he was prepared to accept.

The broker could continue to collect subscriptions above the amount of cover the assured or reassured had instructed him to obtain. Each line would then be proportionally reduced or "signed down" to ensure that subscription added up to 100 per cent and no more.

When each line was automatically adjusted in that way to a particular percentage of the amount originally initialled, it was said to be "signed down" to that percentage.

The magnitude of the risk ultimately borne by the underwriter would be determined not only by the percentage which he wrote against his initials, but also by the degree to which the slip was signed down.

He might obtain a degree of safeguard by obtaining from the broker a "signing down" indication — a statement as to the percentage of the written line the broker believed he would actually have to bear. There was no invariable form of words for such indication.

When a primary insurer was deciding whether to take a line he might participate only if he could obtain reinsurance. A practice had developed whereby a broker instructed to obtain primary cover would, on his own initiative, approach potential reinsurers in advance to obtain a binding promise to provide reinsurance.

The reinsurers conveyed that promise by initialling a percentage line on a slip which identified the subject matter, the nature of the risk and the value.

With that promise in his pocket, the broker would offer the underwriter a package consisting of the opportunity to take a line on the primary cover, and at the same time to place an order for reinsurance.

A primary insurer knew that the percentage he would actually bear depended on the extent to which the broker went on recruiting subscribers after 100 per cent of the risk had been written. That would also be one of the controlling factors in the case of reinsurance; but other factors were the extent to which primary insurers placed orders for reinsurance, and to which their lines were signed down by oversubscription of the primary slip.

In the present case the purchasers of the Amstelveld, renamed Zephyr, instructed brokers to obtain hull and machinery cover. Mr Reginald Baxter set about the task on their behalf. It was well known in the market that he arranged for his slips to be heavily oversubscribed.

He began by looking for reinsurance cover. He approached Mr Tanter who wrote business for a syndicate, and presented a slip.

Before he agreed to accept a line, Mr Tanter received from Mr Baxter a signing indication that the reinsurance slip would sign down to not more than one third.

After Mr Tanter, Mr Baxter approached Mr Posgate who wrote lines for his two syndicates. On January 5, 1981 Mr Emms initialled the slip on behalf of the Moller syndicate, Mr Baxter having given him a signing indication of one third.

After that, Mr Baxter was too busy to obtain further signatures before January 13, when the Zephyr stranded and was abandoned as a total loss.

He had achieved large oversubscription of the all-risks slips, so that the written line signed down to about 35 per cent. He had not been so successful with the reinsurance slips which, in effect, achieved a signing down of 88.48 per cent.

That was in sharp contrast with the indication of one-third given to Mr Tanter and Mr Emms.

In an action by some of the all-risks underwriters against the reinsurers and the brokers, Mr Justice Hobhouse concluded that the underwriters were liable to the assured; that the reinsurers were liable to the full extent of their written lines to indemnify the underwriters; and that the reinsurers were enitled to recover damages from the brokers on the ground of breach of duty.

There was no appeal from the first two conclusions. The question was whether Mr Posgate and the syndicates he represented, were able to recover from the brokers.

The central issue was whether the brokers owed any duty in tort in the absence of express signing indication to Mr Posgate.

Mr Justice Hobhouse found that Mr Baxter did not give any signing indication to Mr Posgate; that Mr Posgate took an interest in the extent to which his written line was likely to sign down; and that he relied on the inference which he drew as to the indication given by Mr Baxter to Mr Tanter.

The judge was entitled to reach those conclusions. His proposition was that there was an implied representation on which Mr Posgate relied, to Mr Baxter's knowledge, and that was sufficient to found a duty, not in contract, but in tort.

The broker's obligation to the Tanter and Moller syndicates was a promise to do something —a bargain whereby the broker made a promise implicit in the signing, in return for the reinsurer's subscription to the slip, whereby the broker could earn his commission.

There was no reason why the indication could not form part of a contractual bargain.

A cause of action in tort for the careless performance of a contractual duty undoubtedly could exist in appropriate circumstances. But there was nothing in the cases to suggest that a bare promise given in circumstances where the parties stood in no relationship, save that one was speaking to another about a transaction between that other and a third party, was capable of creating a situation where the speaker must do what he expressly or impliedly conveyed that he would do, or pay damages in default.

The promise implicit in the signing indication was not given to Mr Posgate, but to Mr Tanter and those for whom he acted as agent.

It could not be said that a promise was addressed to Mr Posgate so as to create a relationship between the brokers and his syndicate close enough to found liability in tort.

Certainly a representation in a document which the maker knew was intended to be put into circulation might found liability in certain circumstances. But here the indication was not contained in any document, so there was nothing to convey it from one person to another, nor any reason to treat a statement originally made to one person as inferentially repeated to others.

An offer to make a contract might be addressed, not to a single person, but to anyone among a group who might choose to accept it. But in the present case there was nothing in the terms of the promise to suggest that it was directed to anyone other than the person who received it, namely Mr Tanter.

Also, there was no special feature on the London marine market which transformed an undertaking to the leader into one which could be sued upon by those who followed him on the slip.

The case for the Posgate syndicates was that the indication given to the leader held good in favour of all subsequent subscribers who satisfied the criterion of reliance, as if it were repeated face to face.

Why should that be so? What would happen if the later subscriber rightly inferred that there had been an indication, but drew the wrong conclusion? What was the measure of the broker's obligation?

Also, as in the present case, an interval of days or weeks might elapse between the giving of the indication and the subscription, while the broker was attempting to sign down the slip.

By that time the original indication might be completely out of date. Was the broker really to be held liable on what he had said to someone else at the very beginning of the operation?

Even if a direct and explicit signing indication were capable of creating an extra-contractual promissory liability, the situation with which the present appeal was concerned was in quite a different category.

The appeal should be allowed.

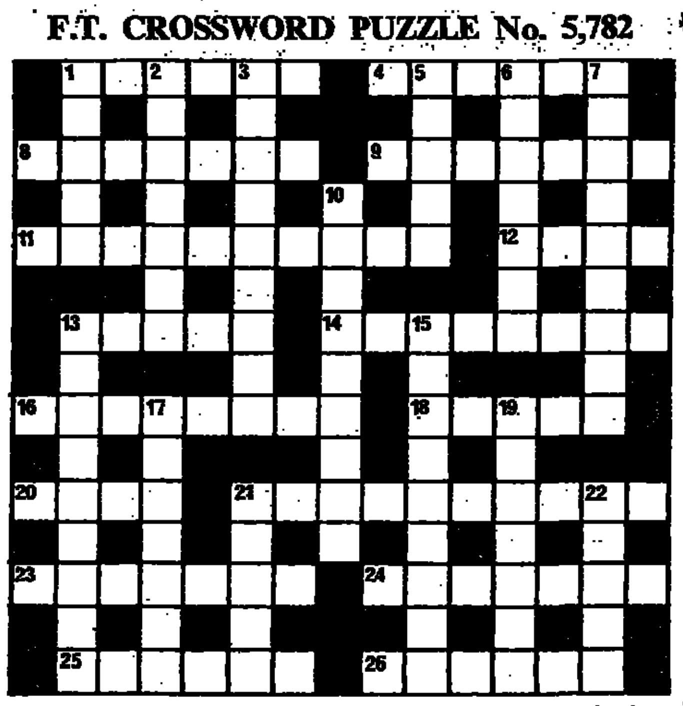
Lord Justice Oliver and Lord Justice Stephen Brown agreed.

For the Posgate syndicates: Nicholas Phillips, QC, and Stephen Ruttle (Elborne Mitchell and Co.).

For the brokers: Jonathan Mance, QC, and Julian Flaux (Hewitt Woollacott and Chown).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,782



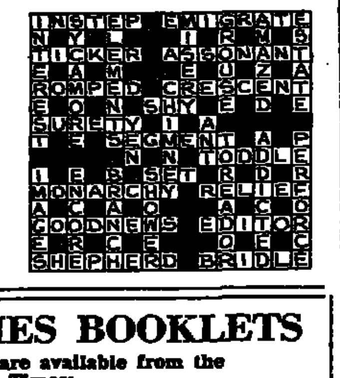
ACROSS

1 "Beard" means "attack," if I am not mistaken (6)
4 Share running water by piping (6)
8 An illuminated disc generally uses a chemical like fluorine (7)
9 First entry in sea-food catalogue (7)
11 Fashionable to have small figure? Wrong thing to cause dissension (10)
12 Work available? I don't believe it (2, 2)
13 Leading article on this sort of acquisitiveness would be accepted (5)
14 German with hair like Diana (8)
16 Rejected players have gone (8)
18 Women's superiority in jam-making (5)
20 Take a look round the castle (4)
21 Swears because sheep have been mixed up with lambs (10)
23 There's more confusion after the formula is produced (7)
24 American pistol (revolver) used by type who aims at the bull (7)
25 Go round curtains with it (6)
26 Spots, for example, go back to poor food (6)

DOWN

1 Character of very little weight (5)
2 Notice a fresh growth (7)
3 Look upon advertising in display format as cosmetic (3, 6)
5 His Grace imprisoned Chinese female for speeding once (5)
6 There's a number for example in Bury (7)
7 Fish glue's not a special formula (9)
10 Sunny period of astronomical length (5, 4)
13 It's forced out of the barrel if fruit's overheated (9)
15 Latest race to be included in the paper (9)
17 In the first place, the rent is very good (3-4)
19 Stamp on ruthless fanatic (3-4)
21 Group requires bass wind instrument (5)
22 Call-girl admits agreement (5)

Solution to Puzzle No 5,781



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn WC1V 7EB 01-405 8441

Pearl Growth Fd	59.7	63.5	+0.7	3.57
Accum Units	88.2	93.8	+1.0	3.57
Pearl Inc	84.8	90.2	+1.1	5.26
Pearl Unit Tst	87.9	93.5	+1.2	4.46
(Accum Units)	148.6	158.1	+2.0	4.46

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	174.0	186.8	(z)	1.55
Income	130.4	139.7	(z)	5.50
Worldwide Recovery	98.9	106.2	(z)	2.16
American Growth	56.8	60.1	(z)	0.69
Intl. Emerging Cos	55.6	59.7	(z)	0.80
Far East Growth Fd	45.7	49.1	(z)	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	99.1	106.2	-0.8	0.27
Prolific Extra Inc	58.7	63.0	+0.6	6.37
Prolific Gilt Cap.	81.8	85.1	+0.7	3.23
Prolific High Inc	122.8	131.8	+1.7	5.73
Prolific Intl.	81.2	87.0	-0.1	1.87
Prolific N. Amer.	115.6	123.9	-0.5	2.52
Prolific Spec. Sits	129.7	139.2	-0.9	1.73
Prolific Technology	99.8	106.9	-0.4	1.02

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	46.9	49.7		—
Worldwide	47.0	49.8	+0.4	1.65
European Trust	48.5	51.4		1.68
North American	48.2	51.1	-0.7	2.19
UK Equity	47.9	50.7	+0.6	4.03

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	306.9	326.4	+5.1	3.84
Holborn Gilt Tst.	154.2	161.2	+1.0	8.56
Holborn High Inc	53.6	57.0	+0.5	7.40
Holborn Intl	57.2	60.8	-0.4	0.60
Holborn UK Growth	61.0	64.8	+1.1	3.30

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd	301.4	320.7	3.86
Quadrant Income	167.9	178.7	7.04

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188. Dealings to 0264 63432-3

TSB American	90.5	96.3	-1.3	1.51
Do Accum	94.2	100.3	-1.5	1.51
TSB Extra Income	81.7	87.0	+0.9	6.58
Do Accum	90.9	96.8	+1.0	6.58
TSB General	113.1	120.5	+2.1	3.60
Do Accum	183.2	194.8	+3.3	3.60
TSB Gilt & Fxd Int	47.1	49.1	+0.5	9.42
Do Accum	57.9	60.4	+0.6	9.42
TSB Income	155.5	165.5	+2.3	5.33
Do Accum	234.6	249.6	+3.5	5.33
TSB Pacific	99.7	106.2	-0.6	0.62
Do Accum.	102.2	108.8	-0.7	0.62
TSB International	220.5	234.6	-0.7	1.91
Do Accum	268.2	285.5	-0.8	1.91
Natural Resources	44.7	47.6	+0.1	2.84
Do. Accum	45.1	48.0		2.84
TSB Special Opps.	44.2	47.1	+0.6	2.65
Do Accum	47.6	50.6	+0.6	2.65

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Small Co's Fund	65.1	69.6	-0.2	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse Rd, Aylesbury Bks (0296) 5941

American Eagle	65.6	70.2		0.27
Australia	28.2	30.1		0.10
Commodity	87.5	94.1	-0.2	1.84
Energy	39.5	42.2		0.83
Equity	94.0	100.3	+2.0	3.95
European Spec. Sits	50.0	53.5	+0.2	0.93
Extra Income	87.3	93.4	+0.5	7.76
Financial	192.2	205.0	+2.8	3.01
Gilt Capital	220.3	230.7	+1.8	3.25
Gilt Income	104.6	109.5	+1.0	8.75
Gold Income	61.0	65.2	+2.0	2.34
Gold Acc.	110.1	117.8	+3.7	2.34
Income	54.9	59.0	-0.2	6.34
Japan	42.8	45.7		0.10
Malaysia & Singapore	23.1	24.6	-0.3	1.20
Pacific Income	60.2	64.4	-1.1	0.97
Pacific Re Inv	72.9	78.0	-1.3	0.97
Preference Share	15.7	17.0		10.19
Professional	448.1	478.0	+1.9	1.82
Special Sits	75.6	81.1	-0.2	2.77
Technology	43.0	46.0		0.10
U S Special Bond	48.6	52.0	-0.4	6.53

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INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.58	—	+0.03	—

World Wide Growth Management⊕
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.56	—	+0.15	—

Inv Adv: M & G Inv Mngt. Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$7.84	—	+0.07	—
Dynamic Gwth Fd	$8.04	—	−0.01	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	[illegible]	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fnd	11.72	8.76	12.47	6mth
7-day Fnd	12.10	9.04	13.34	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	11.88	8.88	13.09	6-Mth
7-day Fund	12.17	9.10	13.40	6-Mth
Dollar	[illegible]	—	—	6-Mth
Money Mngt Acct.	11.625	8.69	13.00	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Chq Acc.	11.75	8.30	12.40	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc.	11.875	8.875	13.30	Qtr
Mth Int. Chq	11.75	8.78	13.30	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11.40	8.52	12.65	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int Cheque	11.50	8.625	12.90	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL 01-588 2777				
Cater Allen	11.38	8.50	11.9871	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.88	8.88	13.48	Mth
U S Dollar	7.00	7.00	7.23	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus	—	10.00	14.63	Qtr
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.00	8.97	13.28	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	12.25	9.16	13.75	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc	12.00	8.97	13.59	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.40	8.52	12.65	Mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
High Int Cheque	11.50	8.59	—	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	12.375	9.25	13.21	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H I C A	11.75	8.78	13.07	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 9738				
High Int Chq	11.37	8.50	12.70	Qtr
Provincial Trust (formerly Choulartons) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc.	12.25	9.16	13.90	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11.50	8.59	12.85	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB 0708 66966				
H.I.B.A.	11.50	8.60	12.83	Daily
Tyndall & Co 29-33 Princess Victoria St. Bristol 0272 732241				
Demand Acc	11.34	8.47	12.67	Qtr
Money Acc.	11.87	8.875	13.29	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	12.00	8.97	13.59	Mth
Over £10,000	12.25	9.15	13.88	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 1SE 0752 24141				
High Int Chq Acc.	12.19	9.11	13.46	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Midland Bk	30
BAT	32	NEI	8
BOC Grp	25	Nat West Bk	60
BSR	16	P & O Dfd	36
BTR	52	Plessey	17
Babcock	14	Polly Peck	26
Barclays	48	Racal Elect	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord	32
Boots	15	Reed Intnl	50
Bowaters	28	Sears	8
Brit Aerospace	33	TI	20
Brit. Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	13
Cadburys	14	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	8½	Land Secs	25
Gen Accident	45	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met	25	**Oils**	
GUS 'A'	60	Brit. Oil & Min	4
Guardian	60	Brit Petroleum	42
GKN	17	Burmah Oil	18
Hanson Tst	17½	Charterhall	6
Hawker Sidd	38	Premier	5
Hse of Fraser	30	Shell	60
ICI	60	Tricentrol	18
'Imps'	18	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24		
Legal & Gen	50		
Lex Service	28	Charter Cons	18
Lloyds Bank	45	Cons Gold	44
Lucas Inds	25	Lonrho	14
Marks & Spencer	12	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Advance in LME stocks continues

By Our Commodities Editor

COPPER STOCKS in London Metal Exchange warehouses rose sharply last week, according to figures released by the LME yesterday. Overall, stocks increased by 14,975 tonnes to 143,500, with most of the rise accounted for by an influx of high-grade cathodes into Rotterdam warehouses.

The news was in line with traders' expectations. Copper prices fell by between £4 and £17.50 per tonne on the day, largely in response to sterling.

However, the squeeze on immediately available supplies of higher grade copper intensified yesterday. At one point, the premium for cash sales over three-month contracts rose to £40 per tonne before dropping back towards £30 at the unofficial close.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending July 26)

	(tonnes)
Aluminium	+9,650 to 139,075
Copper	+14,975 to 143,500
Lead	−25 to 35,125
Nickel	+186 to 6,858
Tin	+1,400 to 25,550
Zinc	+875 to 34,225
	(ounces)
Silver	+40,000 to 50,964,000

Congress likely to back copper caucus

BY NANCY DUNNE IN WASHINGTON

THE U.S. Congress has taken an important step towards passing legislation aimed at protecting the ailing U.S. mining industry by curbing development loans to foreign copper producers.

Last week, a Congressional conference committee approved a supplemental appropriations bill containing two measures designed to cut off development lending which would increase foreign copper production.

Despite the Reagan Administration's opposition to the amendments, the legislation is expected to be passed by Congress soon and to be signed into law by the President.

This is the first sign of concrete success in a long-running campaign by Congressmen representing copper producing states to obtain aid for their constituencies.

Today the Capitol Hill copper caucus is scheduled to meet Dr Clayton Yeutter, the new U.S. trade representative, to plead for administration action in negotiating worldwide copper production restraints. In addition, the House interior committee has approved a bill sponsored by Democratic Congressman Morris Udall of Arizona which would trigger tariffs on virtually all forms of imports if the president does not negotiate production cuts.

Such legislation would have little chance to pass on its own but the copper caucus is seeking allie among other protectionist forces in attempting to produce a package, either acceptable to the administration, or strong enough to override an administration veto.

Senator Jake Garn a Utah Republican, is the sponor of one of the amendments expected to pass in the supplemental appropriations bill. It would require U.S. directors in multilateral lending institutions to oppose any loans for the production of copper for export or for the improvement of copper mining and related processes. This stipulation could affect loans to Zambia and Zaire, *which might need funds to keep* their copper production facilities operating.

The other amendment, sponsored by Senator Pete *Domenici, a New Mexican* Republican, is more general. It would instruct U.S. directors insure that loans by multilateral banks are "primarily directed to those projects that would not generate excess commodity supplies in the world market." In their review of loans, credits or other adjust programmes, the U.S. directors are ordered to consider the impact of loans, credits or other adjustment programmes on individual industry sectors as well as the international commodity markets.

Egypt to be offered subsidised U.S. wheat

By Our Washington Staff

EGYPT WILL be offered up to 500,000 tonnes of subsidised U.S. wheat as the third Reagan Administration Initiative in the Department of Agriculture's (USDA) export bonus programme.

The programme, which was designed to counter what the USDA calls "the unfair trading practices" of the EEC, has so far produced much scepticism and no sales at all. Algeria, offered up to 1m tonnes of non-durum wheat has yet to issue a worldwide tender under which American exporters may bid.

Nor has Egypt yet taken up the USDA's offer of up to 600,000 tonnes of wheat flour. However, in a statement released on *Friday*, the Department said it expects both Algeria and Egypt to issue tenders "in the near future."

The programme would subsidise U.S. sales abroad by giving exporters bonus commodities from Government-owned stocks.

In *1981-82, the U.S. sold* Egypt 1m tonnes of wheat, but since that time exports have declined sharply. The last sale of American wheat to Egypt was reported in the Autumn of 1984.

Instead, according to the USDA, Egypt has been buying *subsidised EEC wheat.*

The $2bn export enhancement programme, announced in May by Mr John Block, the U.S. Agriculture Secretary, is widely seen as an attempt to head off an even larger programme in Congress.

● There were no changes in the average prices quoted following yesterday's weekly London tea auction. Quality grade was again unquoted while medium grade averaged 135p a kilo and low medium 103p a kilo.

The Tea Brokers' Association of London described demand as "*fairly good*" *for selected* brighter and colour medium African teas but others were irregular and sometimes cheaper. The total offering amounted to 33,132 packages.

Farmer's viewpoint: **by John Cherrington**

The private hell of an English haymaker

EACH ONE of us, I am told, has his own vision of hell, when retribution for the ill spent years is exacted from the unfortunate sinner. In my own case—while, of course, admitting no fault—it would be a perpetual haymaking in the average English summer. There is absolutely nothing worse in the farming year, and it is an operation made much more difficult by the application of modern technology.

In fact so much do I dislike the operation that I seldom plan for it. My grass fields are all heavily *stocked, and for* most years I purchase up to three quarters of my requirements for wintering the sheep. Buying hay is the best way of *seeing that your barn is full of* a reasonable feed, for when buying one can pick and choose. After the last appalling winter my hay stocks were down to zero *and so were everyone* elses, so at the end of May I laid up several fields to grow what I expected to be a limited crop. But June was very wet and the grass just grew and grew and in early July I cut the first 11 acres.

It lay on the ground without *making at all for about a fort*night. It was either raining all the time, or there was too much humidity for the wet grass to *change* into that nice sweet *smelling hay*, so beloved of poets and the older fashioned farmer. *The experts tell us that* the sweet smell comes from a weed, sweet vernal, supposedly of no nutritional value at all. All I can say about that is that if you offer the sheep a pile of sweet smelling hay alongside the best, so called, non-weed hay, the animals make a dive at *the weedy amterial.*

One problem was that the grass was still very young, having been a late starter. It was probably full of protein and natural juices as it had not yet started to set flower. Such hay is much harder to dry than that which has been cut when *the grass is seeding The sub*sequent cuts were the same and each has so far lain undisturbed for about a fortnight before being moved.

There are machines which crimp and bruise the grass so that the moisture is quickly removed by sun and wind. But if the sun and wind are absent their use in my experience makes things a good deal worse. Bruised grass will absorb moisture very fast and this will make it rot much more easily than if it has been left untouched. Of course as the days go by the grass of the field will begin to grow again, and infiltrate the swaths of hay. Eventually the hay will become tangled with the growing grass, making subsequent gathering more difficult.

Then there is the very sound instruction that one should *make hay* when the sun shines. July 23 was an extremely good hay-making day, the best we have had this year. The hay was turned and turned again and some 500 bales were made. The material was heavy and had some moisture in it but the forecast was bad and there was *a lot more to do.* The individual bales are heavy and, in spite of modern aids, fairly laborious to stack. The next day turned out so humid that to make the bales was an act of faith. *But in the* face of incipient thunderstorms there was no choice but to carry on.

A solution is to make silage. This is fine for specialist operations like dairying or beef production. The material is harvested before it flowers, it has to be wilted for the best results and is usually self fed or mechanically handled into troughs. Few sensible dairy farmers rely on hay. But with sheep the feeding *of silage is* not so simple and feeding them hay is very easy, just load a few bales into a trailer or truck and feed them out by hand.

These small bales, weighing about half a hundred weight, are very easy for rationing but are one of the causes of our troubles. Before they arrived on the scene our hay was swept loose from the field and built into big stacks. In these stacks it used to sweat and this process used to cure the hay into an acceptable feed. At least it seemed to.

It is true that on occasions some of the stacks got very hot and the contents became charred or even burst into flames. None of mone ever came to this end but one or two got close to it. The little bales when stacked also heat but usually go mouldy. I have made more bad hay since the pick-up baler came on the scene than I ever did in the old days, and most farmers will admit the same. *But somehow the* thought of going back to sweps and stackers is such a neagtion of progress that none of us has the courage to take the first backward steps. *In any* case the machinery we used is no longer available.

Other countries' farmers are not *such slaves to modern* fashion. About 15 years ago I was in Southern Sascatchewan and Alberta and found the ranchers there were putting their hay into great heaps in the fields for feeding out in winter. This was something they had always done and so saw no need for change.

I am even more frustrated by the knowledge that any amount of hay not much better than mine has ben made in the area and *that I could, if I* wished, fill my barn more cheaply by buying it rather than making the horrible stuff myself. But then, as I told you, haymaking is my particular hell.

Consumption hopes lift rhodium price

BY OUR COMMODITIES EDITOR

THE PRICE of rhodium is meeting strong upward pressure for the second time this year against a background of a widely-forecast rise in consumption with growing use of the metal in catalytic convertors for vehicles.

Johnson Matthey, one of the leading marketers of platinum group metals, yesterday raised its base price for unfabricated rhodium by $50 to $800 an ounce.

This was the second increase in as many weeks, taking the price up from $650 since mid-July.

Numerous forecasters have been making *increasingly* bullish forecasts for several platinum group metals in recent months as the EEC discussed legislation to reduce nitrogen oxide emissions from cars. This, it is believed, will cause increased demand in Europe for autocatalysts—a device attached to car exhausts which contains small quantities of platinum and rhodium.

Some forecasters have even pointed to a possible shortage of *rhodium in coming years.* A previous bout of speculation over rising demand caused the price to rise from $750 an ounce to $1,150 between last October and February.

Mr David Violet, Johnson Matthey's marketing director for platinum group metals, pointed out yesterday that rhodium is traded in an extremely thin market and is therefore vulnerable to wide speculative movements. However, both the earlier price rise and the current one were underpinned by "genuine" industrial demand.

Mr Violet dismissed suggestions of a possible rhodium shortage. The EEC vehicle *emission rules were being* phased in over a number of years and there would be time for users to economise on the quantities of rhodium used, he said.

Coffee pact clash looms after London talks failure

BY ANDREW GOWERS

THE STAGE is now set for a full-scale clash between members of the International Coffee Organisation in September, following their failure to settle any outstanding disputes at a meeting of the Organisation's executive Board in London last week.

Representatives of 16 key producing and consuming countries deferred decisions on such long-standing bones of conten*tion as how to penalise cut*-priced sales of coffee to non-members of the Organisation and coffee exports to non-members which never arrive at their ostensible destinations.

Consumers also brushed aside a request by producers for further action to shore up the market if prices continue to slide.

The ICO global export quota currently stands at 59m bags, and an automatic cut of 1m bags is due to take place if and when the ICO's 15-day moving average price slips below 120 cents a lb. On Friday this had reached 120.34 cents and the daily price *stood at 115.84 cents, so the* reduction will almost certainly be triggered this week.

However, futures markets appear to have discounted this cut already, and any further quota reduction will need the sanction of the ICO Board. Producers may call a special Board meeting if the price stays below 120 cents.

Consumers have been arguing up to now that recent price weakness — stemming from the abundance of supplies and the absence of frost damage in Brazilian coffee-growing areas —merely represents an overdue correction to the excessively high prices recorded during spring 1984.

It now seems likely that all these disputes will resurface when producers and consumers undertake the difficult task of renegotiating and redistributing export quotas for the coffee year beginning next October. No fewer than 16 producing members of the ICO are pressing for an increase in their quotas.

Meanwhile, *the recent price* slide on the London coffee futures market slowed down yesterday amid uncertainty over the effects of the weekend coup in Uganda on the country's coffee industry. September robusta futures dropped £8.50 on the day in thin trading, depressed primarily by the strength of sterling.

LONDON MARKETS

COCOA PRICES fell back sharply on the London futures market yesterday reflecting *the renewed strength of sterling*, lower New York values and selling pressure on the expiring July position. July cocoa ended the day £58 down at £1,734.50 a tonne and the September position lost £47 at £1,661.50 a tonne. The pace of the fal was accelerated by the operation of stop-loss orders, dealers said.

The recent upsurge in sugar futures prices ran out of steam with values ending the day sharply lower. Dealers said the market was quieter following last week's hectic trading. There was little sign of end-user demand, they added.

In the morning the London daily raw sugar price was marked up to $125 a tonne, adding $$11 to last week's $23 advance.

LME prices supplied by Amalgamated Metal Trading

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	July 29 1985	+ or −	Month ago
Aluminium	£1100		£1100
Free Mkt	$1050/60	−5	$1025/055
Copper			
Cash h Grade	£1085	−4	£1077.25
3 mths	£1055.75	−8.75	£1087.25
Gold troy oz	$328.25	+10.5	$313.25
Lead Cash	£286.5	−2	£302.5
3 mths	£294.25	+0.75	£301.25
Nickel			
Free Mkt	230/260c		244/278c
Palladium oz	$96.00	+1.75	$96.75
Platinum oz	$279.25	+8.25	$262.75
Quicksilver†	$298/310		$280/290
Silver troy oz	437.45p	+5.70	463.50p
3 mths	449.45p	+5.50	477.05p
Tin cash	£9075	−86.5	£9567.5
3 mths	£9057.5	−68.5	£9402.5
Tungsten	$67.49		$73.74
Wolfram 22 04lb	$64/68		$56/60
Zinc	£522	−13	£609.5
3 mths	£513.5	−19	£591.5
Producers	$880		$880

OILS	July 29 1985	+ or −	Month ago
Coconut (Phil)	$530x		‡
Palm Malayan	$460u		‡
SEEDS			
Copra Phil	$340z	+5	$345
Soyabean (U.S.)	$225w		$229.5
GRAINS			
Barley Fut. Nov.	£101.15		£96.65
Maize	£136.00z		£145.00
Wheat Fut. Nov.	£101.35	−0.15	£97.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept.	£1661.5	−47	£1713.5
Coffee Ft. Sept.	£1529	−8.5	£1912
Cotton A Index	59.60c	−0.15	62.40c
Gas Oil Sept.	$222	+1.5	$212.5
Rubber (kilo)	63p		66p
Sugar (raw)	$125zw	+11	$87
Wooltops 64s	429pkilo		455pkilo

‡ Unquoted. u Aug. x Aug-Sept. w Sept. z July-Aug. † Per 76 lb flask. c Cents per pound.

ALUMINIUM

Official closing (am): cash 709-10 (723-4): three months 730.5-1 (744.5-5): settlement 710 (724). Final kerb close: 728-9. Turnover: 11,875 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	704-5	−16.5	—
3 months	725-.5	−16.25	788/728

COPPER

Higher grade	Unoffic'l close	+ or −	High/Low
Cash	1084-6	−4	1097/1097
Three m'nths	1055.5-6	−1.75	1060/1049

Official closing (am): cash 1087-90 (1087-8): three months 1054-5 (1067.5-8.5): settlement 1090 (1088). Final kerb close: 1054-55.

Cathodes			
Cash	1010-4	−17.5	—
Three m'nths	1030-4	−13.5	—

Official closing (am): cash 1012-5 (1024-6): three months 1032-4 (1041-2): settlement 1015 (1026). Turnover: 26,600 tonnes. U.S. proucer prices 67.50-71 cents per lb.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	286-7	+2	285/284.5
3 months	294.5-	+.75	294.5/290

Official closing (am): cash 284.75-5.25 (283-4): three months 293-.5 (293-5): settlement 285.25 (284). Final kerb close: 293-94. Turnover: 6,700 tonnes. U.S. spot: 19-21 cents per lb.

ZINC

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	521-0	−13	—
3 months	513.5	−13	522/512

Official closing (am): cash 522-4 (536-7): three months 514-5 (533.5-4): settlement 524 (537). Final kerb close: 515-16. Turnover: 9,975 tonnes. U.S. Primo Western: 41-41.75 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	3516.25	−60	—
3 months	3560.70	67.5	3580/3570

Official closing (am): cash 3523-5 (3525-6): three months 3575-80 (3670-5): settlement 3525 (3626). Final kerb close: 3560-70. Turnover: 510 tonnes.

TIN

High grade	Unofficial close (p.m.)† £ per tonne	+ or −	High/low for day
Cash	9070-80	−68	9080
3 months	9055-65	−70	—

Official closing (am): cash 9075-80 (9128-32): three months 9060-5 (9112-4): settlement 9080 (9132).

Standard			
Cash	9070-80	−68.5	9075
3 months	9055-60	−68.5	9065/9050

Official closing (am): cash 9070-5 (9127.8): three months 9060-1 (9087-90): settlement 9075 (9128). Final kerb close: 9065-70. Turnover: 1,650 tonnes. Straits tin $31.05 (31.06) kilo.

GOLD

Gold gained $10½ to $328-328½ on the London bullion market yesterday. The metal opened at $322¼-322¾ and was fixed at $323 in the morning and $326½ in the afternoon. The weakness of the dollar, and expectations that the U.S. currency will continue to decline, pushed gold to a peak of $329¾-320¼. It touched a low of $321¾-322¼.

GOLD BULLION (fine ounce) July 29

Close	$328-328½	(£229¼-229¾)
Opening	$322¼-322¾	(£226-226½)
M'ni'g fix.	$323.00	(£226.349)
Aft'n'n fix.	$326.50	(£228.662)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$335½-336¼	(£234½-235)
½ Krug.	$173¾-174½	(£121½-122)
¼ Krug.	$88¼-89	(£61¾-62¼)
1/10 Krug.	$35¾-36½	(£25-25½)
Mapleleaf	$337½-338¼	(£236-236½)
New Sov.	$77-77¾	(£53¾-54¼)
½New Sov	$46¾-47½	(£32¾-33¼)
Old Sov.	$78-79½	(£54½-55½)
$20 Eagle	$475-515	(£332-360)
Noble Plat	$284¼-287½	(£199-201½)

SILVER

Silver was fixed 5.7p an ounce higher on the London bullion market yesterday at 437.45p. U.S. cent equivalents of the fixing levels were: spot 623.4c, up 15.9c; three-month 635.55c, up 16.25c; six-month 648.7c, up 16.6c; and 12-month 676.2c, up 16.55c. The metal opened at 437½-440½p (624-627c) and closed at 436-439p (638-641c).

SILVER per troy	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	437.45p	+5.70	441p	+7.5
3 months	449.45p	+5.60	453.5p	+8.25
6 months	461.05p	+5.05	—	—
12 months	485.60p	+4.80	—	—

LME—Turnover: 47 (49) lots of 10,000 oz.

Three months high 461, low 448, final kerb 454-6.

FREIGHT FUTURES

Pre-openning rumours of Gulf/Japan business at $10.25 resulted in the market moving sharply lower during the early morning. The afternoon saw little activity as the market recovered slightly from the new lows across the board, reports Clarkson Wolff. The Baltic Freight Index was 732, down 14 points.

	Close	High/Low	Prev.
July	735/740	740/739	747/748
Oct.	800/805	818/796	828/828
Jan.	831/835	935/921.5	860/862
April	900/904	904/890	920/922
July	836/885	—	850/885
Oct.	950/985	—	960/1000
Jan.	945/1020	—	950/1020
April	1000/1055	—	1010/1045

Turnover: 226 (139).

GRAINS

The markets were extremely quiet with early gains quickly lost, particularly in forward wheat positions, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or −	BARLEY Yesterdys close	+ or −
Sept.	97.85	−0.15	97.60	—
Nov	101.35	−0.15	101.15	—
Jan	105.05	−0.35	104.80	−0.15
Mar	108.35	−0.30	107.90	−0.20
May	111.85	−0.20	110.70	−0.25

Business done—Wheat: Sept 98.10-7.85, Nov 101.60-1.40, Jan 105.05 only. March untraded, May 112.00-1.85. Sales: 28 lots of 100 tonnes. Barley: Sept 97.70-7.60, Nov 101.15 only, Jan and March untraded. May 110.70 only. Sales: 13 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent Aug 119.10, Sept 118.15, Oct 119.90, Nov 122.30 sellers transhipment east coast. U.S. no 2 soft red winter Aug 105, *Sept 108, Oct 111, Nov 112.75 sellers.* EC July 117 seller. English feed fob Aug 20/Sept 10 98.50, Sept 99.25 sellers east coast. Maize: U.S. no 3 yellow/French transhipment east coast July/Aug 136 sellers. Barley: English *feed fob Aug 97, Nov 105, Jan/Mar* 110.25 sellers east coast. Rest unquoted.

COCOA

Futures traded actively from an opening £5 easier to a closing call at the lows of the day. Physicals presented a different picture and apart from light second-hand trading of the nears little interest was seen, reports Gill and *Duffus.*

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
July	1734-1736	−58.0	1800-1735
Sept.	1661-1662	−47.0	1703-1657
Dec.	1646-1647	−48.0	1692-1644
Mar.	1656-1658	−44.0	1696-1655
May	1676-1678	−24.0	1702-1676
July	1693-1696	−40.0	1730-1695
Sept.	1705-1712	−41.5	—

Sales: 3,119 (3,662) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily price for July 29: 101.42 (103.03); five-day average for July 30: 102.15 (101.70).

INDICES

FINANCIAL TIMES

July 26	July 25	M'th ago	Year ago
260.41	262.24	278.13	288.82

(Base: July 1 1952 = 100)

REUTERS

July 29	July 26	M'th ago	Year ago
1700.9	1694.8	1759.9	1680.2

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 26	July 25	Month ago	Year ago
Spot	115.10	115.06	—	127.50
Fut.	115.20	115.13	—	124.02

(Base: December 31 1974 = 100)

RUBBER

The London physical market opened quiet, attracted a little interest from *INRO throughout the day and closed* quiet, reports Lewis and Peat. Closing prices (buyers): spot 63.00p (same): Sept 59.00p (59.25p): Oct 59.00p (59.25p). The Kuala Lumpur fob price for RSS No 1 was 191.0 (same) cents a kg and for SMR 20 was 159.5 (160.5).

COFFEE

The coup in Uganda prompted a steadier than anticipated market as stronger sterling had little impact during the opening, reports DBL. Values retraced as the buying gradually evaporated, but recovered during a quiet afternoon.

COFFEE	Yesterday's Close	+ or −	Business Done
July	1500-1505	+6.5	1515-1490
Sep	1526-1530	−8.5	1569-1515
Nov	1571-1575	−8.0	1576-1557
Jan	1610-1614	−7.5	1615-1595
March	1640-1644	−5.5	1648-1625
May	1675-1677	−1.5	1674-1660
Jul	1705-1708	−1.0	1700-1691

Sales: 1,563 (5,440) lots of 5 tonnes. *ICO indicator prices* (U.S. cents per pound) for July 26: Comp. daily 1979 115.84 (115.85): 15-day average 120.34 (120.96).

SUGAR

LONDON DAILY PRICE—Raw sugar $125.00 (£87.50), up $11.00 (up £6.50) a tonne for July-August-September delivery. White sugar $153.00, up $6.00.

The market opened at pre-weekend levels but buying interest was lacking and prices eased. Losses of $8 were recorded by the time New York opened, after which a strong rally developed and all the losses were *recovered. Prices retraced towards the* close, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	112.2-113.0	117.0-120.0	121.0-117.0
Oct	117.6-117.8	127.8-127.8	128.2-116.8
Dec	118.8-121.0	130.0-132.0	130.6-119.2
Mar	129.0-130.0	139.8-139.8	141.2-128.4
May	131.8-135.0	142.4-142.8	143.8-131.8
Aug	139.0-139.0	148.8-148.0	139.0
Oct	139.0-140.0	151.0-152.0	147.8-145.0

Sales: 5,882 (10,995) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £194.00 (£189.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for July 26: daily price 4.31 (3.60) 15-day average 3.14 (3.03).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 80 tonnes. Scattered operations were directed towards Russian and West African qualities.

SOYABEAN MEAL

The market opened £1.00 easier on continued strength in sterling, reports T. G. Roddick. Prices remained on the defensive in quiet trade.

	Yesterday close £ per tonne	+ or −	Business Done
August			
October	109.0-109.5	−0.60	109.5-109.0
Dec	114.0-114.6	−0.65	114.0
Feb	113.0-114.5	−1.00	—
Apr	120.0-120.5	−1.50	120.5
June	120.5-121.5	−0.90	—
August	121.5-122.5	−2.50	—

Sales: 79 (212) lots of 20 tonnes.

OIL

All crudes made some gains in moderate trading. Brent traded in all months from August to January and made the biggest gains of 25-30c in October and November. Nymex WTI opened 3c up for September and traded 20c up at 1 pm EST. In the petroleum products market gas oil was quiet and unchanged, naptha was down due to minimal demand and heavy fuels were slightly up on good demand in the Mediterranean—Petroleum Argus, London.

SPOT PRICES

	Latest	Ch'ng + or −
CRUDE OIL—FOB ($ per barrel)—Aug.		
Arab Light	27.05-27.15	+0.05
Arab Heavy	25.05-25.15	+0.15
Dubai	25.85-25.95	+0.10
Brent Blend	27.15-27.20	+0.125
W.T.I. (1pm est)	27.40-27.50*	+0.25
Forcados (Nigeria)	—	
Urals (cif NME)	26.00-26.25	+0.175
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	284-286	—
Gas Oil	224-226	—
Heavy fuel oil	130-133	+0.5
Naphtha	256-258	−1

* September.

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or −	Business Done
Aug	223.75	+1.00	224.25-22.50
Sep	223.00	+1.50	222.75-21.00
Oct	222.25	+1.75	222.75-21.00
Nov	223.75	+0.75	223.75-22.25
Dec	225.25	+0.25	225.50-25.00
Jan	225.75	+0.50	—

Turnover: 1,254 (831) lots of 100 tonnes.

PIGMEAT

August liquidation continued and in otherwise featureless trading forward months showed little change, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Aug.	108.50	108.00	108.50
Oct.	108.40	108.70	108.50-108.40
Nov.	109.10	109.60	109.50
Feb.	101.00	100.90	101.00-100.80
April	100.80	101.40	—
June	100.50	101.10	101.00-100.50

Sales: 57 (65) lots of 50 carcases, 3,250 kg.

POTATOES

Despite PMB intervention buying in several areas and adverse lifting conditions physical supply is more than *adequate and the underlying tone weak.* This was reflected by losses of £2 on stop-loss selling during early heavy trade, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov.	56.10	56.80	56.50-55.00
Feb.	63.60	64.80	64.00-63.60
Apr.	74.60	75.70	75.50-73.70
May	80.80	81.90	81.00-79.50

Sales: 785 (86) lots of 40 tonnes.

U.S. MARKETS

PRECIOUS METALS were mixed but attracted scattered buying particularly in gold in *response to the South African* situation along with reports that Peru will sidestep the IMF and attempt to renegotiate its debts directly with banks and creditor governments, reports Heinold Commodities. Until these negotiations are completed Peru would limit debt payments to 10 per cent of exports. Copper and aluminium came under pressure from disappointed long liquidation *in response to the buildup in* LME stocks. Sugar weakened on profit-taking linked to a slowdown in cash interest. Cocoa declined sharply on indications that a surplus could materialise in 1985-86 despite expectations of smaller crops in Brazil and the Ivory Coast. Coffee was mixed but attracted light buying on an expected quota cut today. Cotton remained weak on good nearby availability. *Heating oil prices* were about unchanged to slightly higher after early strength related to a firm spot market.

NEW YORK

ALUMINIUM 4,000 lb cents/lb

	Close	High	Low	Prev
July	44.70	—	—	45.20
August	44.80	—	—	45.40
Sept	45.10	45.25	45.05	45.85
Dec	46.10	46.25	46.10	46.60
Jan	46.45	—	—	46.90
March	47.10	47.10	47.00	47.55
May	47.80	—	—	48.25
July	48.50	—	—	48.95
Sept	49.20	—	—	49.65
Jan	50.60	—	—	51.05

COCOA 10 tonnes; $/tonnes

	Close	High	Low	Prev
Sept	2084	2148	2081	2154
Dec	2120	2182	2118	2185
March	2145	2196	2145	2200
May	2185	2210	2175	2213
July	2183	—	—	22225
Sept	2194	—	—	2238
Dec	2221	—	—	2263

COFFEE "C" 37,000 lb cents/lb

	Close	High	Low	Prev
Sept	133.59	135.20	133.25	134.17
Dec	135.98	137.25	135.90	136.68
March	137.08	138.50	137.05	137.72
May	137.85	138.25	137.35	138.38
July	139.20	139.65	139.25	138.98
Sept	139.00	140.00	140.00	139.00
Dec	138.00	—	—	14.25

COPPER 25,000 lb cents/lb

	Close	High	Low	Prev
July	61.95	62.65	62.25	62.35
August	61.95	—	—	62.35
Sept	62.40	63.25	62.10	62.80
Dec	63.50	64.30	63.10	63.90
Jan	63.75	—	—	64.15
March	64.25	65.00	64.10	64.65
May	64.65	65.35	64.80	65.05
July	65.05	65.75	65.75	65.45
Sept	65.40	—	—	65.80
Dec	65.96	—	—	66.35

COTTON 50,000 lb. cents/lb

	Close	High	Low	Prev
Oct	59.90	60.28	59.70	60.23
Dec	59.88	60.28	59.70	60.28
March	60.30	60.72	60.13	60.77
May	60.27	60.60	60.20	60.67
July	59.72	60.00	59.70	59.90
Oct	54.37	54.35	54.30	54.75
Dec	53.40	53.64	53.30	53.81

CRUDE OIL (LIGHT) 42,000 U.S. gallons $/barrels

	Latest	High	Low	Prev
Sept	27.36	27.52	27.25	27.30
Oct	26.75	26.95	26.60	26.71
Nov	26.41	26.59	26.38	26.37
Dec	26.25	26.48	26.20	26.20
Jan	26.03	26.26	25.98	25.99
Feb	25.86	26.05	25.82	25.78
March	25.50	25.81	25.62	25.50
April	25.40	25.45	25.40	25.25
May	25.20	25.30	25.20	25.00

GOLD 100 troy oz. $/troy oz

	Close	High	Low	Prev
July	324.1	—	—	321.8
Aug	324.2	331.0	322.0	322.0
Sept	32.61	—	—	32.39
Oct	328.0	335.0	326.0	325.7
Dec	332.2	339.0	330.0	329.8
Feb	336.5	343.5	335.0	334.2
April	341.0	347.0	339.3	338.5
June	345.9	349.5	346.0	343.3
Aug	351.0	353.3	353.3	348.3
Oct	356.3	—	—	353.5
Dec	361.8	366.0	359.0	358.9
Feb	367.5	370.0	367.5	364.5
April	373.3	—	—	370.1

HEATING OIL 42,000 U.S. gallons cents/U.S. gallons

	Latest	High	Low	Prev
August	70.45	71.30	70.30	70.64
Sept	71.45	72.30	71.25	71.75
Oct	72.40	73.20	72.25	72.66
Nov	73.20	73.85	73.10	73.25
Dec	73.75	74.45	73.70	73.93
Jan	74.20	74.85	74.20	74.23
Feb	74.00	74.10	74.00	73.80
March	71.30	—	—	71.30

ORANGE JUICE 15,000 lb cents/lb

	Close	High	Low	Prev
Sept	131.15	133.00	131.10	133.35
Nov	127.80	129.30	127.75	129.80
Jan	125.10	126.60	125.10	126.60
March	124.80	125.40	124.80	125.85
May	124.50	—	—	125.10
July	124.50	—	—	125.10

PLATINUM 50 troy oz. $/troy oz

	Close	High	Low	Prev
Oct	281.6	285.0	277.0	276.9
Jan	286.3	289.5	282.2	281.4
April	291.4	295.0	288.0	286.4
Oct	307.0	—	—	—

SILVER 5,000 troy oz. cents/troy oz

	Close	High	Low	Prev
July	625.0	639.0	624.0	628.5
Aug	626.5	640.0	630.0	627.0
Sept	631.0	648.0	624.0	631.5
Dec	643.9	661.5	637.5	644.1
Jan	648.7	668.0	648.0	648.8
March	657.5	673.0	660.0	657.5
May	666.9	679.0	664.5	666.7
July	676.9	694.0	676.0	676.5
Sept	687.6	701.0	693.0	687.0
Dec	703.7	716.0	706.0	702.8

SUGAR WORLD "11" 112,000 lb cents/lb

	Close	High	Low	Prev
Sept	4.19	4.69	4.15	4.64
Oct	4.34	4.83	4.31	4.76
Jan	4.62	5.00	4.62	4.87
March	4.74	5.33	4.79	5.19
May	4.96	5.45	4.96	5.32
July	5.20	5.62	5.19	5.51
Sept	5.51	5.60	5.60	5.54
Oct	5.39	5.90	5.36	5.75

CHICAGO

LIVE CATTLE 40,000 lb. cents/lb.

	Close	High	Low	Prev
Aug	50.87	51.70	50.72	51.67
Oct	53.87	54.70	53.75	54.65
Dec	55.50	56.17	55.15	56.10
Feb	56.55	57.00	56.30	57.27
April	57.87	58.40	57.72	58.57
June	58.50	59.00	58.25	59.10

LIVE HOGS 30,000 lb. cents/lb

	Close	High	Low	Prev
Aug	42.62	44.05	52.60	43.85
Oct	38.20	39.40	38.15	39.17
Dec	39.75	40.90	39.70	40.62
Feb	40.80	41.95	40.77	41.77
April	39.32	39.95	38.85	39.87
June	42.40	42.80	41.90	42.90
July	42.40	43.20	42.40	43.27
Aug	41.80	42.30	41.80	42.30

MAIZE 5,000 bu min; cents/56 lb-bushel

	Close	High	Low	Prev
Sept	240.0	242.2	239.2	240.2
March	239.2	243.6	239.2	242.2
Dec	231.6	235.4	231.2	234.0
May	244.0	248.2	243.2	247.0
July	244.2	248.4	244.0	247.4
Sept	233.4	235.4	233.0	234.0
Dec	225.4	228.5	225.4	226.2

PORK BELLIES 38,000 lb cents/lb

	Close	High	Low	Prev
August	52.60	54.15	52.50	52.40
Feb	59.40	60.95	59.35	60.30
March	58.92	60.40	58.92	59.75
May	60.00	61.10	60.00	60.60
July	60.20	61.30	60.20	60.90
August	59.70	60.00	59.30	59.80

SOYABEANS 5,000 bu min; cents/60 lb-bushel

	Close	High	Low	Prev
August	531.6	541.0	530.0	538.2
Sept	527.4	537.0	526.2	533.6
Nov	531.0	541.4	528.6	536.4
Jan	536.0	550.4	538.4	546.2
March	549.6	560.0	549.0	557.0
May	558.0	566.4	557.0	564.4
July	561.0	568.0	560.0	566.4
August	555.6	564.0	555.4	560.0
Sept	544.0	—	—	547.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Aug	120.5	123.2	120.1	122.8
Sept	123.2	126.0	123.0	125.4
Oct	124.2	127.8	124.2	127.0
Dec	128.8	132.5	128.5	131.9
Jan	131.0	135.5	130.5	135.0
March	134.0	138.0	134.0	137.5
May	139.0	142.0	138.0	141.5
July	142.5	145.0	142.0	145.3

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Aug	25.56	26.05	25.55	25.98
Sept	25.05	25.55	25.05	25.40
Oct	24.75	25.10	24.60	24.90
Dec	24.45	24.73	24.30	24.48
Jan	24.20	24.50	24.16	24.23
March	24.15	24.40	24.05	24.18
May	24.10	24.25	24.00	24.15
July	24.00	24.05	23.90	23.90
Aug	23.84	23.90	23.80	23.86
Sept	23.57	23.81	23.57	23.51

WHEAT 5,000 bu min. cents/60lb-bushel

	Close	High	Low	Prev
Sept	296.4	301.4	295.4	295.4
Dec	304.0	308.6	303.4	303.6
March	302.6	308.0	302.6	303.6
May	293.2	297.4	292.4	293.4
July	273.2	277.6	273.0	275.4
Sept	276.6	—	—	278.0

SPOT PRICES—Chicago loose lard 16.50 (same) cents per pound. New York tin 595.0-597.0 (589.0-592.0) cents per pound. Handy and Harman silver bullion 636.0 (611.5) cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Oct 610.0, 615.0, 610.0; Dec 613.0, 620.0, 615.0-608.0; Mar 622.0, 630.0, 624.0-620.0; May 625.0, 634.0, 630.0; July 630.0, 644.0, nil; Oct 618.0, 640.0, nil; Dec 624.0, 646.0, nil; Mar 627.0, 656.0, nil. Sales: 16

MEAT

MEAT COMMISSION — *Average fatstock prices at representative markets.* GB—Cattle 96.67p per kg lw (+0.41). GB—Sheep 160.48p per kg est dcw (+5.73). GB—Pigs 77.67p per kg lw (+0.88).

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 76.0 to 81.0; English forequarters 52.0 to 55.0; Ulster hindquarters 87.0 to 91.0. Veal: Dutch hinds and ends 141.0 to 146.0. Lamb: English small 68.0 to 74.0, medium 66.0 to 72.0, heavy 64.0 to 66.0; Scottish medium 66.5 to 68.0, heavy 64.0 to 65.5; Imported: New Zealand PL 64.5 to 65.5, PX 64.0 to 65.0. Pork: English under 100lb 50.0 to 56.0, 100-120lb 48.5 to 54.5, 120-160lb 43.0 to 47.0.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter Aug 129, Sept 131, Oct 136, Nov 138. U.S. two northern spring 14 per cent protein Aug 153, Sept 149.50, Oct 152, Nov 158. U.S. northern spring 15 per cent protein Aug 160, Sept 158, Oct 160, Nov 164.50. U.S. three hard amber durum Aug 159, Sept 156, Oct 160, Nov 164.50. Canadian one western red spring 13.5 per cent Aug 163.50, Sept 162.50, Oct 164. Canadian one western amber durum Aug 170, Sept 171, Oct 174, Nov 15/Dec 15 178.

MAIZE—(U.S. $ per tonne): U.S. three yellow afloat 125.50, July 126.50, Aug 121.50, Sept 118, Oct/Dec 114.50, Jan/Mar 118 sellers. Argentine Plate afloat 132, Aug 133, Sept 133 sellers.

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES | FOREIGN EXCHANGES

Dollar continues to fall

The dollar weakened further on the foreign exchanges yesterday as sentiment surrounding the U.S. currency continued to suffer on the lack of any new factors. U.S. unemployment figures are due for publication Friday, and may give a guide to any recovery in the economy, but at the moment the market is not expecting any suddent turn round after a very disappointing first six months. The sharp fall in M1 money supply last week has also encouraged thoughts of a reduction in the Federal Reserve's discount rate to stimulate growth.

Fears of another possible realignment within the European Money System have failed to stimulate demand for the dollar. The French franc has been mentioned as a possible contender for devaluation, but was slightly firmer in the forward market yesterday.

After losing ground in New York on Friday the dollar remained below the support level of DM 2.8350 for the most part yesterday, and also closed below another important level of DM 2.82, declining to DM 2.8190 from DM 2.8640. It fell to FFr 8.5950 from FFr 8.70; SwFr 2.2880 from SwFr 2.3345; and Y237.10 from Y239.25.

On Bank of England figures the dolar's index fell to 136.8 from 138.7.

STERLING — Trading range against the dollar in 1985 is 1.4290 to 1.0525. June average 1.2813. Exchange rate index rose 0.5 to 84.7, the highest level since September 1983. The index opened at 84.5, the lowest level of the day, and closed at its peak.

Sterling was very strong, despite the cut in UK clearing bank base rates. The reduction in London interest rates was largely anticipated, after moves by the Bank of England before the weekend, and had little impact. Rates remained high enough to remain an attraction for funds moving out of the dollar, and the pound rose 2.05 cents to $1.4285-$1.4295. It also climbed to DM 4.03 from DM 4.0275; FFr 12.2850 from FFr 12.2750; and Y338.50 from Y336.75, but eased to SwFr 3.27 from SwFr 3.2875.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.8190. June average 3.0639. Exchange rate index 125.4 against 120.4 six months ago.

The D-mark improved sharply against the dollar in Frankfurt yesterday, but the U.S. currency ended near the top of the day's range. The dollar fell to DM 2.83075, compared with DM 2.8780 on Friday, after touching a low of DM 2.8110. The highest point seen in Frankfurt was DM 2.8335, in quiet trading, lacking new factors. Trading was nervous however after the late fall of the dollar in New York on Friday, with dealers reluctant to sell the U.S. unit down as low as DM 2.80, on fears that DM 2.8350 may remain a significant resistance level. Members of the European Monetary System were fairly steady yesterday, despite concern about the French and Belgian francs, and a possible devaluation within the EMS. The French franc was fixed firmer at DM 32.875 per FFr 100 in Frankfurt, compared with DM 32.835 on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.8320	45.2647	+0.97	+0.97	N/A
Danish Krone ...	8.12857	8.06652	−0.76	−0.76	N/A
German D-mark	2.23840	2.24462	+0.28	+0.28	N/A
French Franc ...	6.86402	6.82853	−0.52	−0.52	N/A
Dutch Guilder...	2.52208	2.52391	+0.07	+0.07	N/A
Irish Punt	0.724578	0.717023	−1.04	−1.04	N/A
Italian Lira	1520.60	1504.60	−1.05	−1.05	N/A

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

	July 29	Previous
8.30 am	84.5	84.3
9.00 am	84.5	84.4
10.00 am	84.7	84.4
11.00 am	84.6	84.4
Noon	84.6	84.4
1.00 pm	84.5	84.1
2.00 pm	84.6	84.2
3.00 pm	84.6	84.2
4.00 pm	84.7	84.2

£ IN NEW YORK

	July 29	Prev. close
£ Spot	$1.4290-1.4300	$1.4215-1.4230
1 month	0.45-0.43 pm	0.48-0.47 pm
3 months	1.12-1.08 pm	1.18-1.16pm
12 months	2.60-2.45 pm	2.85-2.75pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

July 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4210-1.4310	1.4285-1.4295	0.45-0.42c pm	3.65	1.14-1.09 pm	3.12
Canada	1.9196-1.9284	1.9235-1.9275	0.45-0.36c pm	2.52	1.09-0.94 pm	2.11
Nethlnd.	4.51¾-4.53¾	4.52¾-4.53¾	2⅛-1⅞c pm	5.30	6-5¾ pm	5.18
Belgium	81.15-82.07	81.20-81.30	20-15c pm	2.58	48-37 pm	2.09
Denmark	14.45-14.49½	14.47-14.48	4¾-3¼ore pm	3.26	9¼-7½ pm	2.31
Ireland	1.2855-1.2920	1.2855-1.2865	0.23-0.11p pm	1.59	0.59-0.40 pm	1.54
W. Ger.	4.01¾-4.04	4.02½-4.03½	2⅜-2¼pf pm	6.89	6¼-6⅛ pm	6.45
Portugal	235½-242¼	238¼-242¼	60-430c dis	−12.24	410-1520 dis	−6.3
Spain	233½-237½	233½-234	—	—	—	—
Italy	2,682¼-2,711¾	2,706½-2,707½	5 lire pm-par	1-11	2-10 dis	−0.89
Norway	11.72-11.77¼	11.73-11.74	⅝ ore pm-¾ dis	−0.06	2¾-3¾ dis	−1.02
France	12.22-12.30	12.28-12.29	1½c pm-1½ dis	—	⅞ pm-2¼ dis	−0.39
Sweden	11.80-11.85¾	11.81-11.82	3¾-4¾ ore dis	−4.06	10-11¾ dis	−3.88
Japan	337¼-339	338-339	1.55-1.45y pm	5.32	4.25-4.10 pm	4.93
Austria	28.24-28.36	28.25-28.30	14¾-12½gr. pm	5.88	38½-34½ pm	5.15
Switz.	3.26¼-3.29½	3.26½-3.27½	1⅞-1¾c pm	6.65	5¾-5 pm	6.27

Belgian rate is for convertible francs. Financial franc 82.20-82.30.

Six-month forward dollar 1.75-1.70c pm, 12-month 2.65-2.50c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4210-1.4310	1.4285-1.4295	0.45-0.42c pm	3.65	1.14-1.09 pm	3.12
Ireland†	1.1018-1.1115	1.1090-1.1100	0.23-0.16c pm	2.12	0.50-0.38 pm	1.59
Canada	1.3483-1.3496	1.3485-1.3495	0.11-0.14c dis	−1.11	0.32-0.37 dis	−1.02
Nethlnd.	3.1635-3.1975	3.1750-3.1760	0.47-0.44c pm	1.72	1.67-1.64 pm	2.08
Belgium	56.80-57.26	56.80-56.90	2¼-3¼c dis	−0.57	7-10 dis	−0.59
Denmark	10.11½-10.20¾	10.13-10.13½	¾-⅛ ore dis	−0.59	2-2½ dis	−0.88
W. Ger.	2.8100-2.8385	2.8185-2.8195	0.75-0.70pf pm	3.07	2.39-2.34 pm	3.33
Portugal	166-169	166¼-167¼	100-350c dis	−16.07	450-1200 dis	−19.64
Spain	163¾-165	163¾-164¼	—	—	—	—
Italy	1,885-1,904	1,896½-1,897½	6-7½ lire dis	−4.25	22-25 dis	−4.94
Norway	8.21-8.26	8.22-8.22½	2½-3 ore dis	−4.00	8½-9 dis	−4.24
France	8.57-8.63¾	8.59¼-8.59¾	2.10-2.50c dis	−3.20	7.00-7.75 dis	−3.42
Sweden	8.25¼-8.32	8.27¼-8.27¾	5-5½ ore dis	−7.58	14-14½ dis	−6.86
Japan	236.85-237.60	237.05-237.15	0.36-0.33y pm	1.74	1.12-1.07 pm	1.84
Austria	19.78½-19.93½	19.77-19.83	3½-2¾ gro pm	1.88	10¾-8¾ pm	1.91
Switz.	2.2800-2.3075	2.2875-2.2885	0.60-0.54c pm	2.97	1.80-1.74 pm	3.07

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 57.50-57.60.

OTHER CURRENCIES

July 29	£	$		£ Note Rates
Argentina Austl.	1.1592-1.1415	0.8000-0.8010	Austria	28.20-28.50
Australia Dollar	1.9806-1.9846	1.3900-1.3920	Belgium	81.85-82.65
Brazil Cruzeiro	9,086-9,120	6,380-6,400	Denmark	14.43-14.57
Finland Markka	8.4600-8.4800	5.9510-5.9530	France	12.20-12.32
Greek Drachma	184.27-188.27	129.47-132.20	Germany	4.01½-4.05½
HongKong Dollar	11.0580-11.0406	7.7440-7.7490	Italy	2670-2720
Iran Rial	125.90*	89.50*	Japan	338-342
KuwaitDinar(KD)	0.4287-0.4291	0.30025-0.30035	Netherlands	4.51-4.55
Luxembourg Fr	81.20-81.30	56.80-56.90	Norway	11.69-11.80
Malaysia Dollar	3.5070-3.5120	2.4620-2.4640	Portugal	230-245
New Zealand Dlr.	2.7270-2.7345	1.9140-1.9175	Spain	228-236
Saudi Arab Riyal	5.2133-5.2177	3.6508-3.6513	Sweden	11.79-11.91
Singapore Dollar	3.1345-3.1395	2.2000-2.2020	Switzerland	3.25½-3.30½
Sth African Rand	2.9100-2.9360	2.0455-2.0495	United States	1.41¾-1.43¾
U.A.E. Dirham	5.2436-5.2486	3.6720-3.6730	Yugoslavia	376-430

* Selling rate.

CURRENCY MOVEMENTS

July 29	Bank of England Index	Morgan Guaranty Change %
Sterling	84.7	−5.1
U.S. dollar	136.8	+23.6
Canadian dollar	76.8	−6.7
Austrian schilling	115.5	+4.2
Belgian franc	91.0	−10.8
Danish Kroner	79.9	−4.4
Deutsche mark	125.4	+8.0
Swiss franc	150.0	+13.0
Guilder	115.8	+4.1
French franc	67.1	−14.1
Lire	44.1	−20.5
Yen	157.6	+13.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.724672	0.656008
U.S.$	7½	1.03275	0.792311
Canadian $	9.51	*	1.06914
Austria Sch.	4½	20.5338	15.7749
Belgian Fr	9½	59.0412	45.2647
Danish Kr	7	10.5029	8.06652
D mark	4½	2.92304	2.24462
Guilder	5½	3.29183	2.52391
French Fr	9½	8.90215	6.82853
Lira	15½	1957.51	1504.60
Yen	5	245.273	188.134
Norway Kr	8	8.50970	6.53379
Span'h Pta	—	170.089	130.533
Swedish Kr	10½	8.55772	6.56529
Swiss Fr	4	2.3774	1.82390
Greek Dr'ch	20½	135.143	103.658
Irish Punt	13¾	N/A	0.717023

* C$/SDR rate for July 26: 1.38720.

EXCHANGE CROSS RATES

July 29	Pound Sterling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.429	4.030	338.5	12.29	3.270	4.535	2707.	1.926	81.25
U.S. Dollar	0.700	1.	2.819	237.1	8.595	2.288	3.176	1897.	1.347	56.85
Deutschemark	0.248	0.355	1.	84.00	3.048	0.811	1.125	671.7	0.478	20.16
Japanese Yen 1,000	2.954	4.222	11.91	1000.	36.29	9.660	13.39	7997.	5.688	240.0
French Franc 10	0.814	1.163	3.280	275.5	10.	2.662	3.689	2204.	1.567	66.14
Swiss Franc	0.306	0.437	1.232	103.5	3.757	1.	1.386	827.8	0.589	24.85
Dutch Guilder	0.221	0.315	0.889	74.66	2.710	0.721	1.	597.2	0.425	17.93
Italian Lira 1000	0.369	0.528	1.489	125.0	4.538	1.208	1.674	1000.	0.711	30.01
Canadian Dollar	0.519	0.742	2.093	175.8	6.380	1.698	2.354	1406.	1.	42.20
Belgian Franc 100	1.231	1.759	4.960	416.6	15.12	4.025	5.578	3332.	2.370	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 29	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12-12¼	7¼-7⅜	8½-9	6¼-6½	40-42	4⁷/₁₆-4⁹/₁₆	9¾-10	4-7	8-8¼	8-8¼	6⁵/₁₆-6⁷/₁₆	7¾-9¼
7 days' notice	11⅞-12⅛	7⅝-7⅞	8¾-9	6⅛-6⅜	13⅜-13⅝	4⅜-4⅝	10-10¼	1-6	8½-8¾	8½-8½	6⅜-6⅝	8¼-8¾
Month	11⁵/₁₆-11⁷/₁₆	7⅞-8	8¾-9	6⁵/₁₆-6⁷/₁₆	4⅝-4⅞	4¾-4⅞	10¾-11	9½-10½	8¾-9	8⅝-8⅞	6¼-6⅜	8⅛-9¼
Three months	11⅜-11½	8⅛-8¼	9-9¼	6⅛-6¼	4⅞-4¾	4⅞-4⅞	11¼-11½	11¼-12¼	8⅛-9⅜	8⅞-9⅛	6¼-6⅜	9-9⅜
Six months	11⅛-11¼	8⅜-8½	9⅜-9⅝	5⅞-6⅛	4⅞-5	4⅞-5⅛	11⅜-11⅝	12½-13½	9½-9¾	9-9¼	6¼-6⅜	9⅜-9⅝
One year	10⅞-11⅛	8¾-8⅞	9½-9¾	6-6⅛	4¾-4⅞	5⅛-5⅜	11⅜-11⅝	13⅝-14	9⅝-9⅞	9¼-9½	6¼-6⅜	10-10½

Asian $ (closing rates in Singapore): Short-term 7⅝-7¾ per cent; seven days 7¹³/₁₆-7¹⁵/₁₆ per cent; one month 7¹⁵/₁₆-8¹/₁₆ per cent; three months 8⅛-8¼ per cent; six months 8⁵/₁₆-8⁷/₁₆ per cent; one year 8¹¹/₁₆-8¹³/₁₆ per cent. Long-term Eurodollars: two years 9½-9⅝ per cent; three years 9⅞-10⅛ per cent; four years 10⅛-10⅜ per cent; five years 10⅜-10⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

Gilts strong

Sterling denominated contracts were strong on the London International Financial Futures Exchange yesterday, but dollar interest rate contracts weakened, as doubts continued about the future of the U.S. economy. The cut in clearing bank base rates failed to depress the pound on the foreign exchanges, and hopes of further reductions in London interest rates kept gilts firm. Gilts for September delivery opened at 113-12, near the low of the day, and rose to a peak of 113-25 before closing at 113-23, compared with 113-04 on Friday. September short-term sterling deposits began at 88.99, and were pushed down to a low of 88.91. Dealers reported buying by the clearing banks at around 88.95, and the contract closed near the day's high at 88.99, against 88.86 previously.

September eurodollars opened weak at 91.64, but showed little movement before the Chicago start. Chicago began at 91.66, moving up on the back of the weaker dollar, but Liffe closed near the day's low at 91.61, compared with 91.73, as dealers described the market as treading water. U.S. Treasury bonds finished at the day's low of 74-09 for September delivery. Attention focused on the forthcoming Treasury refunding package, expected to be about $21.75bn, and on speculation about a cut in the U.S. discount rate.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	91.61	91.66	91.60	91.73
Dec	91.13	91.20	91.12	91.29
March	90.69	90.77	90.71	90.86
June	90.28	90.36	90.30	90.46
Sept	89.93	—	—	90.11

Estimated volume 4,299 (3,720)
Previous day's open int 19,128 (19,058)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	88.99	89.01	88.91	88.86
Dec	89.77	89.77	89.63	89.55
March	89.91	89.92	89.94	89.75
June	89.90	89.90	89.87	89.75
Sept	89.50	—	—	89.75

Estimated volume 3,921 (2,497)
Previous day's open int 7,053 (7,031)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	113-23	113-25	113-11	113-04
Dec	113-28	—	—	113-09
March	114-09	—	—	113-22

Estimated volume 2,199 (2,243)
Previous day's open int 3,628 (3,762)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −22 to −12 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.4250	1.4260	1.4155	1.3985
Dec	1.4155	1.4102	1.4102	1.3885
March	1.4100	—	—	1.3820

Estimated volume 276 (56)
Previous day's open int 3,022 (167)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3563	0.3557	0.3534	0.3488
Dec	0.3596	0.3590	0.3590	0.3519

Estimated volume 119 (10)
Previous day's open int 268 (268)

SWISS FRANCS
SwFr125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4389	0.4359	0.4365	0.4258

Estimated volume 8 (4)
Previous day's open int 181 (181)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4227	0.4227	0.4218	0.4184

Estimated volume 4 (5)
Previous day's open int 165 (167)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	125.10	125.55	124.50	123.90
Dec	125.90	—	—	124.70

Estimated volume 594 (588)
Previous day's open int 1,891 (1,648)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	74-09	74-24	74-09	75-02
Dec	73-08	—	—	74-02
March	72-08	—	—	73-02

Estimated volume 1,323 (1,912)
Previous day's open int 2,291 (2,546)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	74-17	74-23	74-15	75-02
Dec	73-14	73-21	73-13	74-00
March	72-15	72-23	72-14	73-01
June	71-23	71-25	71-20	72-05
Sept	70-29	71-00	70-29	72-12
Dec	70-06	70-09	70-06	70-21
March	69-17	69-22	69-17	70-00
June	69-00	69-01	68-28	69-13
Dec	—	—	—	68-10
March	67-14	67-22	67-14	67-27

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.64	92.68	92.64	92.75
Dec	92.28	92.32	92.25	92.39
March	91.91	91.95	91.90	92.01
June	91.52	91.57	91.52	91.65
Sept	—	91.26	91.19	91.32
Dec	—	—	90.91	91.05
March	—	—	—	90.80
June	—	—	—	90.57

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	91.91	91.89	91.91	92.03
Dec	91.43	91.47	91.43	91.57
March	—	—	91.08	91.10
June	—	—	90.66	90.70

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	91.57	91.66	91.57	91.71
Dec	91.09	91.17	91.09	91.23
March	90.65	90.71	90.65	90.78
June	90.25	90.30	90.24	90.37
Sept	89.86	89.93	89.86	90.00
Dec	89.55	89.58	89.51	89.68
March	—	89.26	89.24	89.34
June	—	88.94	88.92	89.04

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Sept	1.4240	1.4250	1.4170	1.4125
Dec	1.4165	1.4180	1.4085	1.4035
March	1.4100	1.4440	1.4010	1.3976
June	—	1.4075	—	1.3925
Sept	—	—	—	1.2505

GNMA (CBT) 8% $100,000
32nds of 100%

	Latest	High	Low	Prev
Sept	73-25	74-17	73-25	74-24
Dec	73-03	73-24	73-03	73-13
March	—	—	—	—
June	72-07	72-20	72-07	72-25
Sept	—	—	—	72-06

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £
Moderate trading on a strong pound.

Est volume Calls	Puts	Previous day's open interest Calls	Puts
488	184	8587	4874

Eurodollar Future—points of 100%
Tight trading on the underlying future registered moderate trading

Est volume Calls	Puts	Previous day's open interest Calls	Puts
250	100	580	570

For full details of settlement prices call:
Louisa Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

MONEY MARKETS

Discount houses look for more rate cuts

Discount houses were again reluctant to sell bills outright to the Bank of England at existing intervention rates yesterday. This was the result of the continued strength of sterling, in spite of the expected cut of ½ per cent to 11½ per cent in UK clearing bank base rates. Barclays was the first of the major high street banks to come into line with the reduction in Bank of England money market dealing rates on Friday, but although the authorities offered an early round of help on a very large credit shortage, the houses were less than enthusiastic to part with paper.

UK clearing banks base-lending rate 11½ per cent since July 30.

In the interbank market three-month money fell to 11⅜-11¼ per cent at the close, from 11⁹/₁₆-11¹¹/₁₆ per cent on Friday. Discount houses buying rates for three-month bank bills declined to 10³¹/₃₂ from 11³/₁₆ per cent, as the houses looked for another cut in base rates.

The Bank of England forecast a money market shortage of £1,000m in the morning, but changed this to £1,050m in the afternoon. Total help of £1,018m was provided during the day.

An early round of help was offered, and at that time the authorities bought £54m of bills outright, by way of £9m bank bills in band 1 (up to 14 days maturity) at 11⅜ per cent; and £45m bank bills in band 2 (15-33 days) at 11⁵/₁₆ per cent. Another £53m bills were purchased outright before lunch, when the Bank of England bought £17m bank bills in band 1 at 11⅜ per cent; and £36m bank bills in band 2 at 11⁵/₁₆ per cent.

In the afternoon a further £636m bills were bought, of which £346m were purchased outright, through £24m bank bills in band 1 at 11⅜ per cent; £292m bank bills in band 2 at 11⁵/₁₆ per cent; and £30m bank bills in band 3 at 11¼ per cent. Another £290m bills were purchased for resale to the market on August 12 at 11⁷/₁₆-11⅜ per cent respectively.

The Bank of England also provided late assistance of around £275m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,134m, with Exchequer transactions absorbing £75m and bank balances below target another £85m. These outweighed a fall in the note circulation adding £285m to liquidity.

MONEY RATES

July 29	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.50-4.60	9⅝	4½-4½	6⅝-6½	6.28125	14½-14⅞	5.95	11¼-11½
One Month	5.00-5.15	9⅝-9¾	4¹⁵/₁₆-5¹/₁₆	6⁵/₁₆-6⁷/₁₆	6.34375	14⅛-14½	8⅝-8⅞	10¾-11
Two Months	5.00-5.15	9⁹/₁₆-9¹¹/₁₆	—	—	—	—	—	10⅜-10⅝
Three Months	5.00-5.15	9¾-9⅞	4⁹/₁₆-5¹/₁₆	6⁵/₁₆-6⁷/₁₆	6.28125	14½-14⅞	8¾-9	10⅛-10⅜
Six Months	5.05-5.20	9⅞-10	—	6⅛-6¼	—	—	9-9¼	10-10¼
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	9⅝	—	6⅝	—	—	—	—

LONDON MONEY RATES

July 29 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	11-12⅜	12-12⅛	12-12½	11½-12	—	—	—	—	—
2 days notice	—	—	12	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11⅞-12⅛	12	12⅛-12⅛	11⅞-12	—	—	—	—	—
One month	11⅝-11¹¹/₁₆	11¾-11⅞	11¾	12	11½	11⁹/₁₆	11⁷/₁₆	11⁹/₁₆	11⁷/₁₆	11¹³/₁₆
Two months	11⅜-11⁷/₁₆	11⅝-11¾	11⅝	11⅞	11¼	11⅛	11	11⅛	11	11⅞
Three months	11³/₁₆-11⁵/₁₆	11⅞-11½	11⁵/₁₆	11⅝	11	10⅞	10²⁷/₃₂	10⅞	10¹⁵/₁₆	11⁵/₁₆
Six months	10⅞-10¾	11⅛-11¼	11⁵/₁₆	—	—	—	—	10²¹/₃₂	10⅝	11⅜
Nine months	10¾-10⅝	11-11¼	—	—	—	—	—	—	—	—
One year	10½-10⅝	10¾-11⅛	11	—	—	—	—	—	—	—

Discount Houses Deposit and Bill Rates

	Local Auth negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12¼-12	—	11¾	7.85-7.95	7⅝-7⅞	8⁹/₁₆-8¹¹/₁₆
Two months	12-11¾	—	11¾	7.85-7.95	7¾-8	8¾-8⅞
Three months	11⅞-11⅝	—	11⁹/₁₆	7.95-8.05	7⅞-8⅛	8⁹/₁₆-8¹¹/₁₆
Six months	11½-11¼	—	11¼	8.2-8.3	7⅞-8⅛	8⅞-9
Nine months	11⅜-11⅛	—	11	8.5-8.6	—	—
One year	11½-11¼	—	10⅞	8.6-8.7	8⅛-8⅜	8⅞-9
Two years	—	11	—	—	—	—
Three years	—	11	—	—	—	—
Four years	—	11	—	—	—	—
Five years	—	11	—	—	—	—

ECGD Fixed Finance IV: Average Rate of Interest period June 5 to July 2 (inclusive): 12.535 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from July 1, 1985. London and Scottish Clearing Bank Rate for lending 11½ per cent. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Treasury Bills: Average tender rate of discount 11.1325 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11¾ per cent; three-six months 11 per cent; six-nine months 10¾ per cent; nine-12 months 10½ per cent. Under £100,000 10¼ per cent from July 29. Deposits held under Series 5 10¾ per cent. The rate for all deposits withdrawn for cash 7½ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 29)

3 months U.S. dollars	
bid 8⅛	offer 8¼

6 months U.S. dollars	
bid 8⅜	offer 8½

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES
NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8½
Fed funds	7¹³/₁₆
Fed funds at intervention	—

Treasury Bills

One month	6.80
Two month	6.95
Three month	7.26
Six month	7.42
One year	7.51

Treasury Bonds

Two year	99²¹/₃₂
Three year	101⁵/₃₂
Four year	99¹¹/₃₂
Five year	99¹⁴/₃₂
Seven year	99⁵/₃₂
10 year	103²²/₃₂
30 year	103²⁵/₃₂

Company Notices

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on July 29, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.2440
Algeria	Dinar	(A) 7.03
Andorra	French Franc	12.2850
	Spanish Peseta	233.75
Angola	Kwanza	42.0960
Antigua	E. Caribbean $	3.84
Argentina	Austral	1.1404 (15)
Australia	Austalian $	1.9825
Austria	Schilling	28.2750
Azores	Portuga'se Escudo	240.25
Bahamas	Ba. Dollar	1.4290
Bahrain	Dinar	0.5370†
Balearic Isles	Spa Peseta	233.75
Bangladesh	Taka	39.53*
Barbados	Barbados $	2.8640
Belgium	B. Franc	(cm) 81.25 (fn) 82.25
Belize	B $	2.85
Benin	C.F.A. Franc	614.25
Bermuda	Bda $	1.4290
Bhutan	Ngultrum	16.77
Bolivia	Bolivian Peso	(u) 64,080.0‡
Botswana	Pula	2.5460
Brazil	Cruzeiro‡‡	9,102.5
Brit. Virgin Isles	U.S. $	1.4290
Brunei	Brunei $	3.1370
Bulgaria	Lev	1.3166
Burkino Faso	C.F.A. Franc	614.25
Burma	Kyat	10.9200
Burundi	Burundi Franc	168.18
Cameroon	C.F.A. Franc	614.25
Canada	Canadian $	1.9255
Canary Islands	Spanish Peseta	233.75
Cape Verde Is	Cape V. Escudo	127.12
Cayman Islands	Cay. Is $	1.1890
Cent. Afr. Republic	C.F.A. Franc	614.25
Chad	C.F.A. Franc	614.25
Chile	Chilean Peso	243.72
China	Renminbi Yuan	4.0814
Columbia	Col. Peso	(F) 206.81
Comoro Islands	C.F.A. Franc	614.25
Congo (Brazaville)	C.F.A. Franc	614.25
Costa Rica	Colon	(U) 72.41
Cuba	Cuban Peso	1.3260
Cyprus	Cyprus £	0.8225
Czechoslovakia	Koruna	(com) 8.50 (n/c) 14.81 13.74
Denmark	Danish Kroner	14.4750
Djibouti	Djibouti Franc	240.0
Dominica	E. Caribbean $	3.84
Dominican Repub.	Dominican Peso	(O) 1.4290 4.26
Ecuador	Sucre	(O) 95.69 (F) 159.44
Egypt	Egyptian £	1.1848 (14) 1.7130 (8)
El Salvador	Colon	(O) 3.58 (F) 5.79
Equatorial Guinea	Ekuele	614.25
Ethiopia	Ethopian Birr	2.9200
Falkinad Islands	Falkland Is £	1.0
Faroe Islands	Danish Kroner	14.4750
Fiji Islands	Fiji $	1.6140
Finland	Markka	8.4700
France	French Franc	12.2850
French C'ty in Af	C.F.A. Franc	614.25
French Guiana	Local Franc	12.2850
French Pacific Is	C.F.P. Franc	215.0
Gabon	C.F.A. Franc	614.25
Gambia	Dalasi	8.00
Germany (East)	Ostmark	4.03
Germany (West)	Deutsche Mark	4.03
Ghana	Cedi	75.5118
Gibraltar	Gibraltar £	1.0
Greece	Drachma	186.37
Greenland	Danish Kroner	14.4750
Grenada	E. Caribbean $	3.84
Guadaloupe	Local Franc	12.2850
Guam	U.S. $	1.4290
Guatemala	Quetzal	1.4290
Guinea	Syli	34.23
Guinea-Bissau	Peso	209.79
Gupana	Guyanese $	5.9785
Haiti	Gourde	7.12
Honduras	Lempira	2.86
Hong Kong	H.K. $	11.0550
Hungary	Forint	69.940
Iceland	I. Krona	58.2745
India	Ind. Rupee	16.77
Indonesia	Rupiah	1,589.18
Iran	Rial	125.90 (s.g.)
Iraq	Iraqi Dinar	0.4420
Irish Republic	Irish £	1.2860
Isreal	Shekel	2,103.0
Italy	Lira	2,707.0
Ivory Coast	C.F.A. Franc	614.25
Jamaica	Jamaica Dollar	7.59 (s.g.)
Japan	Yen	338.50
Jordan	Jordanian Dinar	0.5525
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	23.30
Kiribati	Australian $	1.9825
Korea (Nth)	Won	1.34
Korea (Sth)	Won	1,245.89
Kuwait	Kuwaiti Dinar	0.4289
Laos	New Kip	49.84
Lebanon	Lebanese £	22.36
Lesotho	Maluti	2.9230
Liberia	Liberian $	1.4290
Libya	Libyan Dinar	0.4215
Liechtenstein	Swiss Franc	3.27
Luxembourg	Lux Franc	81.25
Macao	Pataca	11.48
Madeira	Portugese Escudo	240.25
Malagasy Republic	MG Franc	820.0
Malawi	Kwacha	2.3620
Malaysia	Ringgit	3.5095
Maldive Islands	Rufiyaa	10.04
Mali Republic	C.F.A. Franc	614.25
Malta	Maltese Lira	0.6400
Martinique	Local Franc	12.2850
Mauritania	Ougulya	95.64
Mauritius	M. Rupee	21.25
Mexico	Mexican Peso	(F) 500.71 (C) 331.56
Miquelon	Local Franc	12.2850
Monaco	French Franc	12.2850
Mongolia	Tugrik	4.78
Montserrat	E. Caribbean $	3.84
Morocco	Dirham	13.90 (sg)
Mozambique	Metical	(A) 60.74
Namibia	S.A. Rand	2.9300
Nauru	Austalian Dollar	1.9825
Nepal	Nepalese Rupee	26.06
Netherlands	Guilder	4.5325
Netherland Antilles	Antillian Guilder	2.56
New Zealand	N.Z. Dollar	2.7308
Nicaragua	Cordoba	(O) 40.00
Niger Republic	C.F.A. Franc	614.25
Nigeria	Naira	1.195048 (sg)
Norway	Norwegian Krone	11.7350
Oman Sul'ate of	Rial Omani	0.4920
Pakistan	Pakistan Rpee	22.51
Panama	Balboa	1.4290
Papua N. Guinea	Kina	1.3976†
Paraguay	Guarani	343.20 (10) 810.54 (7) 462.73 (12)
Peru	Sol	exe(A) 16,884.0
Philippines	Philippine Peso	25.64
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.7306
Poland	Zloty	218.29
Portugal	PortugueseEscudo	240.25
Puerto Rico	U.S. $	1.4290
Qatar	Qatari Ryal	5.1635
Reunion Island	French Franc	12.2850
Romania	Leu	(Cm) 6.01 (N/C) 16.81
Rwanda	Rwanda Franc	140.71
St. Christopher	E. Caribbean $	3.84
St. Helena	St. Helena £	1.0
St. Lucia	East Carribean $	3.84
St. Pierre	Local Franc	12.2850
St. Vincent	E. Caribbean $	3.84
Samoa American	U.S. $	1.4290
San Marino	Italian Lira	2,707.0
Sao Tome & Prin	Dobra	62.75
Saudi Arabia	Saudi Ryal	5.2155
Senegal	C.F.A. Franc	614.25
Seychelles	S. Rupee	9.95
Sierra Leone	Leone	(O) 7.55
Singapore	Singapore $	3.1370
Solomon Islands	Solomon Is. $	2.1545
Somali Republic	Somali Shilling	52.12
South Africa	Rand	2.9230
Spain	Peseta	233.75
Spanish ports in North Africa	Peseta	233.75
Sri Lanka	S. L. Rupee	38.74
Sudan Republic	Sudan £ (u)	3.56
Surinam	S. Guilder	2.54
Swaziland	Lilangeni	2.9230
Sweden	S. Krona	11.8150
Switzerland	Swiss Franc	3.27
Syria	Syrian £	(A) (T) 9.0 (CM) 5.59
Taiwan	New Taiwan $	57.33
Tanzania	Tan. Shilling	23.80
Thailand	Baht	37.74
Togo Republic	C.F.A. Franc	614.25
Tonga Islands	Palanga	1.9825
Trinidad	Trinidad & Tob $	3.43
Tunisia	Tunisian Dinar	1.1850 (sg)
Turkey	Turkish Lira	748.98
Turks & Caicos	U.S. $	1.4290
Tuvalu	Australian $	1.9825
Uganda	Uganda Shilling	810.0
United States	U.S. Dollar	1.4290
Uruguay	Uruguay Peso	144.06
Utd.Arab Emirates	U.A.E. Dirham	5.2461
U.S.S.R.	Rouble	1.1423
Vanuatu	Vatu	150.0
Vatican	Italian Lira	2,707.0
Venezuela	Bolivar	(4) 6.12 (5) 10.68 (6) 20.30
Vietnam	Dong	(O) 138.69
Virgin Island U.S.	U.S. Dollar	1.4290
Western Samoa	Samoan Tala	(A) 3.1850
Yemen (Nth)	Ryal	9.2560
Yemen (Sth)	S. Yemen Dinar	0.4885
Yugoslavia	New Y Dinar	397.3387
Zaire Republic	Zaire	71.1412
Zambia	Kwacha	3.08
Zimbabwe	Zimbabwe $	2.1900

‡ Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad and tourists. (9) Banknote rates. (10) Rate for exports. (12) Rate for imports. (13) Essential imports. (14) Nearly all business transactions. (15) Argentina: June 15, new currency introduced: 1 austral=1,000 old pesos.
† Correction (July 22): Papua New Guinea, 1.3800 and Bahrain, 0.5305.

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	1985 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99	97¼	Treas 8¾pc Cnv '85	99	.....	8.78	12.12
101	99	Exch. 12¼pc 1985	100¼	+	12.22	11.01
101	99	Exch. 11¾pc '86	100½xd	+⅛	11.69	10.83
99½	97	Treas. 10pc Cnv 1986	99⅜	+	10.06	10.85
95½	92¼	Treas 3pc 1986	95½	+⅛	3.14	8.89
100	97½	Exch. 10½pc Cv '86	99¾	+	10.53	10.74
101⅞	99¼	Treas 12pc 1986	101	+	11.87	10.62
98¼	94⅛	Treas 8½pc 1984-86‡‡	98¼	+	8.65	10.46
105	102	Exch. 14pc 1986	103	+⅛	13.49	10.58
93½	87¾	Exch. 2½pc 1986	93½	+¼	2.67	7.78
104	101¾	Exch. 13¼pc 1987	103 xd	+	12.79	10.54
99	96⅝	Treas 10¼pc Cv '87	99 xd	+⅛	10.30	10.55
91	85½	Exch 2½pc 1987	91⅝xd	+	2.73	8.29
99	96¼	Exch. 10½pc 1987	99	+⅛	10.52	10.58
93	89	Funding 6½pc '85-87‡‡	93	+⅛	6.92	10.33
99	95½	Treas. 10pc 1987	99	+	10.10	10.57
90	84¼	Treas 3pc 1987	90	+	3.32	8.40
102	99⅝	Treas. 12pc 1987	102	+¼	11.70	10.63
94½	90¼	Treas 7¾pc 1985-88‡‡	94½xd	+¼	8.20	10.29
99¾	95⅛	Exch 10½pc '88	99¾	+	10.53	10.58
97¾	93⅝	Treas 9¾pc Cv '88	97¾	+	9.97	10.66
86½	80	Transport 3pc '78-88	86½	+¼	3.47	8.30
96⅝	91½	Treas. 9½pc '88	96⅝	+	9.83	10.73
102⅝	97½	Treas 11½pc 1989	102⅝xd	+	11.23	10.68
96½	90¾	Treas 9½pc Cnv. '89	96½	+	9.86	10.68
81⅞	79	Treas 3pc 1989	81⅞	+⅛	3.69	8.89
99⅝	94	Treas 10½pc 1989	99⅝	+½	10.57	10.77
97	92	Exch 10pc 1989	97 xd	+	10.22	10.69
100	95	Exch 11pc 1989	100	+⅛	10.90	10.69
85	79	Treas 5pc 1986-89	85	+⅛	5.88	9.36
108⅞	103¾	Treas 13pc 1990‡‡	108⅞	+	12.00	10.64
101	96	Exch 11pc 1990‡‡	101 xd	+½	10.86	10.62
106⅞	100¾	Exch. 12½pc 1990	106¼	+	11.76	10.74
76	75½	Treas. 3pc 1990‡	76	+	3.93	9.25
93	87¼	Treas 8¼pc 1987-90‡‡	91¾	+⅛	8.99	10.44
		Five to Fifteen Years				
99⅝	91⅞	Treas 10pc Cv 1990	99⅝	+½	10.34	10.81
105⅛	97⅞	Treas 11¾pc 1991	104⅛	+¼	11.33	10.81
87¼	80	Funding 5¾pc '87-91‡‡	87¼	+⅛	6.74	9.11
103⅝	95	Exch. 11pc 1991	100⅝	+⅛	10.92	10.82
111⅞	101⅝	Treas 12¾pc 1992‡‡	109⅛	+⅛	11.71	10.80
99½	88⅝	Treas 10pc 1992	96½xd	+⅛	10.32	10.68
101¼	94¼	Treas 10½pc Cv 1992‡‡	101¼	+⅛	10.62	10.73
110⅛	98¼	Exch. 12¼pc '92	105⅝xd	+⅛	11.50	10.92
116⅞	105	Exch 13½pc 1992	116⅞	+¼	12.05	10.99
111¼	101¼	Treas 12½pc 1993‡‡	109⅛	+⅛	11.51	10.86
83	74⅞	Funding 6pc 1993‡‡	83	+⅛	7.43	9.43
118⅛	109¾	Treas 13¾pc 1993‡‡	117⅞	+¼	11.92	10.88
125¼	111¼	Treas 14½pc 1994‡‡	119⅝xd	+⅛	12.01	10.77
117⅞	108⅛	Exch 13½pc 1994	117⅞	+⅛	11.85	10.97
113¼	100¼	Exch. 12½pc 1994	108⅞xd	+⅛	11.45	10.89
93¾	86¼	Treas 9pc 1994‡‡	93¼	+⅛	9.84	10.45
108⅞	98⅛	Treas 12pc 1995	107xd	+¼	11.23	10.82
71¼	62¼	Gas 3pc '90-95	71¼	+⅛	4.25	7.27
98¼	89⅝	Exch. 10¼pc 1995	97⅝	+¼	10.53	10.68
114⅝	106¼	Treas 12¾pc 1995‡‡	114⅝	+⅛	11.39	10.78
121¼	110⅛	Treas. 14pc '96	119⅛xd	+¼	11.78	10.93
94¼	84½	Treas 9pc 1992-96‡‡	94¼	+⅛	9.90	10.43
131	121⅞	Treas 15¼pc 1996‡‡	131	+¾	11.98	10.86
118⅞	110⅛	Exch 13¼pc 1996‡‡	118⅞	+¼	11.41	10.68
77¾	68½	Redemption 3pc 1986-96	77¼	+⅛	3.93	5.93

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

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HOTELS AND CATERERS

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هكذا من الأصل

INDUSTRIALS—Continued

INSURANCES

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MOTORS, AIRCRAFT TRADES

Motors and Cycles

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MINES—Continued

O.F.S.

Diamond and Platinum

Central African

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Tins

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NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 27
(International Edition Page 32)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

MARKET REPORT

Equity market surges higher following base rate cuts

FT index up 8.3 more at 932.4

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
July 15	July 25	July 26	Aug 5
July 29	Aug 8	Aug 9	Aug 19
Aug 12	Aug 29	Aug 30	Sept 9

* "New-time" dealings may take place from 9.30 am two business days earlier.

London equity markets began the new trading Account in fine style as the hoped-for cut in bank lending rates was duly delivered a few minutes before the Stock Exchange opened yesterday. The reduction in the rate from 12 per cent to 11½ per cent — the second ½-point cut in two weeks — was again initiated by Citibank and was quickly followed by the major clearing banks.

The base-rate news immediately increased hopes that building societies will lower interest rates charged to home buyers; it was announced later that the Building Societies Association is to hold a special meeting in mid-August to consider the position on mortgage rates.

A general advance by the equity market was spearheaded by consumer-orientated sectors including foods, stores and interest-rate sensitive areas such as buildings, properties and engineerings. The stores sector was additionally boosted by a fresh wave of takeover speculation concerning a possible Woolworths offer for Harris Queensway and the last week of the Burton bid for Debenhams. The only cloud on the horizon was the renewed strength of sterling, which continued to cause concern over the damaging effects of a high exchange rate on the major overseas earners.

The performance of the FT Ordinary share index illustrated the growing confidence in equities during the session; 6 points higher at 10.00 am, the index improved to show a gain of 9.1 by mid-afternoon before closing a net 8.3 up at 932.4.

Gilt-edged securities were underpinned by the trend towards cheaper credit and with sterling continuing its ascent against the dollar — touching $1.43 at one stage and its highest level since April last year — buyers were active from the outset on hopes that UK interest rates could come down even further in the short-term. Domestic and foreign support was forthcoming and, although this tended to wane around midday, gains in the shorts and longer-dated issues ranged to ⅜. The remaining taplet, Exchequer 9¾ per cent 1998 was activated, the Government broker being on and off at 95½. Gains in index-linked extended to ⅜. Confirmation that the U.S. Administration had lowered its official forecast of economic growth this year to 3 per cent failed to affect sentiment in the late trade.

Banks quiet

A few pence firmer at the outset in response to weekend Press forecasts of a bumper interim profits season, the major clearing banks drifted back on lack of follow-through support with buyers seemingly content to await NatWest's figures today. The latter closed 5 easier at 690p, after 698p; brokers' pre-tax profit estimates range between £288m and £460m for the group's first-half. Midland, which report on Thursday, closed 5 better at 395p. Elsewhere, Standard Chartered, down 45 last week on concern about the deteriorating political situation in South Africa, rallied 10 to 460p. First National Finance Corporation hardened 2 more to 105p among Hire Purchases on revived chatter of a bid from Bass.

Recently weak C. E. Heath recovered 9 at 607p on news that its Australian subsidiary had been selected as the major private sector agency within the Government's new workers compensation laws which begins operations on September 1.

The two newcomers to the Unlisted Securities Market made contrasting debuts. Advertising group Yellow Hammer closed at 118p compared with the placing price of 110p. Lewmar, a manufacturer of specialist equipment for racing and cruising yachts, settled at 108p, a couple of pence discount to the offer price of 110p.

Breweries were selectively firm. Allied-Lyons attracted support and touched 225p prior to closing a net 5 up at 223p. Regional brewers Greene King moved up 8 to 180p. Elsewhere, Arthur Bell, the subject of an unwelcome bid from Guinness, encountered profit-taking and slipped 7 to 233p. Merrydown gained 10 to 330p in reply to the good annual results and scrip issue proposal.

Confirmation of lower interest rates and news that building aggregates sales had increased sharply gave a fresh boost to a Building sector already underpinned by hopes of more Government spending on infrastructure. The majority of leading issues made progress, but gains were confined to single figures. Tarmac, 336p, and RMC, 386p, both rose 8, while Redland gained 6 to 294p. Rugby Portland Cement firmed 3 to 130p and BPB Industries improved 5 to 268p. John Laing touched a year's high of 264p prior to closing a net 7 up at 262p.

ICI, down 26 last week in the wake of disappointing interim results, continued to trade in subdued fashion as sterling displayed renewed strength and the close was 6 cheaper at 662p. Elsewhere, James Halstead jumped 8 to 86p on suggestions of a bid from Wardle Storeys, a couple of pence dearer at 165p.

Debenhams rise

Consumer spending considerations and takeover speculation prompted a firm and active day's business in the Stores sector. Debenhams again held centre stage and closed a net 13 higher at 321p; bidders Burton rose 6 to 444p, after 448p. House of Fraser has increased its Debenhams stake to 14.6 per cent and was thought to have made further market purchases yesterday. Harris Queensway gained 6 more to 256p, fter 260p, on continued talk about a possible bid from Woolworth, 4 higher at a year's peak of 450p.

Leading Electricals took Friday's technical recovery a stage further. Racal, helped by news of NatWest's £18m contract, touched 138p before closing 4 higher at 136p, while STC rose the same amount to 93p in response to Press comment. BICC put on 3 to 193p and similar improvements were seen in GEC, at 172p xd, and Thorn EMI, at 329p. Elsewhere, weekend newspaper mention left Crystalate 7 up at 112p, Sound Diffusion 3 higher at 49p and Humberside a couple of pence dearer at 14p. Newman Industries also responded to an investment recommendation with a gain of 3 at 36p. CASE, at 190p, retrieved a further 6 of the sharp fall which followed a chart "sell" recommendation.

Engineerings drew particular encouragement from the move towards lower borrowing costs. GKN were active on buying ahead of the interim figures scheduled for August 7 and closed 7 up at 210p; sentiment here was also helped by confirmation of the sale of certain subsidiaries to F. H. Tomkins. Hawker jumped 10 to 377p and Vickers improved 5 to 253p. TI, continuing to respond to rumours of an imminent £4 per share bid from Evered, touched a new 1985 peak of 342p before closing a few pence higher on balance at 338p; Evered added 7 more at 255p. Glynwed rose 10 to 189p as buyers began to show increased interest ahead of next Monday's interim figures, while Baker Perkins attracted a good demand and finished 14 to the good at 177p, up 14, with the new nil-paid shares jumping 9 to 12p premium. Press-inspired gains of between 4 and 6 were seen in D. F. Bevan, 24p, Burgess Products, 138p, and Cocksedge, 37p. Thomas Robinson moved up 9 to 90p on news of Williams Holdings' increased stake and F. H. Lloyd hardened 2 to 59p; Sifer's shareholding in the latter now stands at over 23 per cent. Bullough, on the other hand, dropped 17 to 215p following the disappointing interim profits.

The prospect of an increase in disposable incomes prompted fresh demand for Food Retailers. Dee Corporation, annual results due on August 8, were prominent at 265p, up 17, while Tesco rose 9 to 260p and J. Sainsbury firmed 6 to 320p. Elsewhere, Greggs firmed 3 to 165p in reply to satisfactory interim results, while British Vending Industries gained the same amount to 59p following increased half-year profits.

BAe up again

Among firm miscellaneous industrial leaders, Boots responded to revived takeover talk with a gain of 6 at 190p, while Reed International advanced 16 to 635p on vague suggestions of a bid from Hanson Trust. Pilkington added 9 to 277p after Press comment and BOC firmed 7 at 272p xd. Elsewhere, British Aerospace continued to rally, recovering 22 more at 335p and the new nil-paid shares 14 to 162p on receding fears that the European aircraft project, in which it has a 25 per cent interest, would fail. Press comment on W. Canning's acquisition of a near-8 per cent stake in the company lifted Philip Harris 27½ more to 175p xd, while Pentland Industries advanced 30 to 270p on news that the company had substantially lifted the size of its share flotation of Reebok on the American over-the-counter market. F. H. Tomkins moved between extremes of 210p and 195p before closing a few pence better at 201p following the better-than-expected annual results and accompanying confident statement. while LRC continued to reflect takeover speculation with a gain of 4 at 128p, after 132p. Hepworth Ceramic moved up 5¼ to 141½p on Press comment and Valor firmed 6 to 173p for the same reason. Equipu jumped 12 to 202p on the good results and Williams Holdings rose 9 to 307p after renewed speculative support. Extel issues rebounded, the old rallying 18 at 323p and the new nil-paid shares 13 to 38p premium.

Motor Distributors were highlighted by Adams and Gibbon which soared 54 to 290p following a cash and shares bid worth £5.6m from BSG International, unchanged at 25½p. Keep Trust which holds a 11.8 per cent stake in A & G, firmed 5 to 82p.

Two outstanding features emerged among Newspapers and Paper/Printings. Octopus jumped 40 to 585p on the announcement of an agreed merger with Heinemann, a subsidiary of BTR, while Bristol Evening Post advanced 49 to 495p xd following news of Kent Holdings' acquisition of a 10 per cent stake in the company.

Properties greeted the cheaper money trend with fresh gains. Friday's aggressive buying however, was not repeated, but the leaders still made useful progress. Land Securities closed 6 higher at the day's best of 292p, but MEPC settled a shade below the best at 278p, up 4. Hammerson A moved up 20 to 445p, while Haslemere Estates gained 7½ to 474p xd. Estate agents Bairstow Eves improved 4 to 86p following acquisition news.

Britoil easier

Initial modest gains in the leading oils failed to hold and the sector closed with a majority of marginal falls. Underwriting of the Government's sale of it's remaining 49 per cent interest in Britoil is expected to get under way today and dealers are also expecting news of the offer-for-sale price. Britoil edged up to 208p during early dealings but later eased to close a couple of pence easier on balance, at 205p. Among secondary oils, Falcon Resources extended the recent rally and touched 63p prior to ending the session a net 5 better at 60p. Sun (UK) Royalty figured prominently throughout the day and settled 20 higher at 140p, after 145p, following Press comment.

Polly Peck highlighted Overseas Traders with the shares 7 better at 227p following favourable Press comment.

Golds rally

Mining markets began the new account in much better form. Heavily sold last week following the South African Government's decision to declare a state of emergency in many areas of the Republic, Golds opened with good gains as a number of Continental operators closed bear positions taken out in the wake of the French Government's freeze on new investment. Thereafter, share prices continued to edge higher on "cheap" buying, mainly emanating from London. However, demand petered out during the afternoon despite the late upturn in bullion. The latter raced ahead to touch $329 at one point, boosted by the weakness of the dollar, before settling a net $10.5 firmer at $328.25 an oz.

South African Financials also staged a good recovery, with the notable exception of De Beers, which dipped 8 more to 337p; the company's interim results are scheduled for August 20. Gencor were a firm market, adding 50 at 900p, while "Amgold" improved ⅞ to £54½ and "Amcoal" ½ to £17.

Golds continued to make all the running in Australians. A stream of overseas buying orders for Golds in Sydney and Melbourne markets followed through into London and leaders and second-line issues responded with further substantial gains. Gold Mines of Kalgoorlie led the sector higher, advancing 17 to 540p, while Central Norseman jumped 15 more to 488p

FINANCIAL TIMES STOCK INDICES

	July 29	July 26	July 25	July 24	July 23	July 22	year ago
Government Secs	83.85	83.46	83.14	83.25	83.29	82.95	75.72
Fixed Interest	88.63	88.50	88.30	88.29	88.26	88.14	80.43
Ordinary ♥	932.4	924.1	911.0	926.0	921.1	925.3	778.7
Gold Mines	342.1	332.6	330.2	369.3	386.7	385.2	499.0
Ord. Div. Yield	4.99	5.03	5.08	5.01	5.03	5.01	5.29
Earnings, Yld. % (full)	12.44	12.53	12.68	12.50	12.65	12.51	12.39
P/E Ratio (net) (*)	9.82	9.75	9.63	9.77	9.78	9.76	9.73
Total bargains (Est.)	20,241	20,940	19,875	20,326	19,500	19,358	16,808
Equity turnover £m.	—	576.09	377.62	279.88	238.98	252.96	153.97
Equity bargains	—	19,096	16,546	13,882	15,343	14,781	12,463
Shares traded (ml)	—	274.9	184.4	139.9	138.3	129.5	91.8

♥ 10 am 930.1. 11 am 931.1. Noon 932.1. 1 pm 932.8. 2 pm 933.0. 3 pm 933.2. 4 pm 932.9.

Day's High 933.4. Day's Low 925.9.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=9.49.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.85 (29/7)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	88.63 (29/7)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	911.0 (25/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	330.2 (25/7)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	July 26	July 25
Daily Gilt Edged Bargains	110.9	141.0
Equities Bargains	123.7	107.2
Equities Value	1164.4	765.3
5 day Average Gilt Edged Bargains	141.8	146.5
Equities Bargains	103.8	97.8
Equities Value	715.7	604.4

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (15)

BRITISH FUNDS (59)
INT. BANK & O'SEAS GOVT. STLG. ISSUES (10)
CORPORATION LOANS (1)
LOANS (6)
BANKS (2)
BUILDINGS (3)
STORES (5)
ENGINEERING (3)
FOODS (1)
INDUSTRIALS (7)
LEISURE (1)
MOTORS (1)
NEWSPAPERS (2)
PAPER (1)
PROPERTY (5)
TEXTILES (1)
TRUSTS (1)
OILS (1)
MINES (5)

NEW LOWS (73)

FOREIGN BONDS (1)
Chinese Sec '25 Boxer
AMERICANS (20)
CANADIANS (2)
Imperial Oil; Trans. Can. Pipe
BANKS (2)
Security Pacific; Wells Fargo
BUILDINGS (2)
Feb Intl.; Henderson Group
CHEMICALS (1)
Coates Bros. A N/V
ELECTRICALS (9)
Atlantic Computer; Sarasota Tech.; Datron Intl.; Sony; Klark-Teknik; Telefonica (Compania); Mellerware Intl.; Telemetrix; NEC
ENGINEERING (4)
Black & Decker; ML Hldgs.; Cooper (F.); Spirax-Sarco
FOODS (1)
Safeway
INDUSTRIALS (9)
Baxter Travenol; Dover Corp.; Caparo 8¼pcCnv. Cum.Rd.Pf.; Hendra; De La Rue; Marshalls Universal; Dobson Park; Nell & Spencer; Rolfe & Nolan
LEISURE (1)
21st Century Dist.
MOTORS (2)
Reliant Motor; Brit. Car Auction
PAPER (1)
Peters (M.)
TEXTILES (2)
Burmatex; Sunbeam Wolsey
TRUSTS (6)
Baillie Gifford Japan; Northern Secs.; Charter Trust; Lon. Merchants 7¼pc Cnv. 2000.05; GBC Capital; Keystone Inv.
OILS (2)
Hamilton Oil; New London Oil
OVERSEAS TRADERS (1)
Finlay (J.)
MINES (7)
Kinross; De Beers Defd.; Marievale; Afex Corp.; S.A. Land; Balmoral Resources; Doornfontein

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Argyll Group	306	+9
Baker Perkins	177	+14
Debenhams	321	+13
Glynwed International	189	+10
GKN	210	+7
LRC International	128	+4
Lewmar	108	—
Octopus Publishing	585	+40
Pentland Industries	270	+30
Siebe	488xr	+3
Sound Diffusion	43	+3
Yellowhammer	118	—

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
BTR	28	320	+17
ICI	26	668	+8
LRC Intl.	25	124	+9
Br. Aerospace†	22	148	+20
Dee Corpn.	20	248	+10
BAT Industries	18	295	+2
Bell (A.)	18	240	+3
Racal Elects.	18	132	+4
Beecham	17	323	+8
Celtic Haven	17	87	+2
Debenhams	17	308	−2
Falcon Res.	17	55	+4
STC	17	90	—
Harris Q'nsway	16	250	+16

† Partly paid.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 8	July 19	Oct 10	Oct 21
July 22	Aug 2	Oct 24	Nov 4
Aug 5	Aug 16	Nov 7	Nov 18

For rate indications see end of Share Information Service

Money was given for the call of Birmid Qualcast, Falcon Resources, First Land Oil and Gas, Eglinton Oil, STC, Quest Automation, Exco, TSL Thermal Syndicate, Comtech, Hawley, Bula, United Biscuits, Boots, Ralph Group, Oceonic and Christies International. A put was arranged in Polly Peck, but no doubles were reported.

RISES AND FALLS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon July 29 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Fri July 26 Index No.	Thurs July 25 Index No.	Wed July 24 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (205)	495.14	+1.0	11.44	4.55	11.02	10.16	490.01	483.30	491.23	459.77
2	Building Materials (22)	534.62	+1.6	12.40	4.96	9.91	11.86	526.21	522.85	526.91	421.23
3	Contracting, Construction (29)	812.22	+0.7	12.34	5.09	10.46	17.10	806.38	806.35	806.33	609.10
4	Electricals (14)	1320.36	+1.8	12.12	5.59	10.47	31.82	1297.15	1297.77	1316.49	1422.43
5	Electronics (38)	1326.61	+0.6	11.48	3.66	11.52	26.92	1318.23	1292.49	1326.52	1631.54
6	Mechanical Engineering (62)	272.31	+2.2	12.02	5.16	10.13	5.50	266.39	263.85	266.58	236.78
8	Metals and Metal Forming (7)	181.48	+2.4	13.67	8.56	9.19	4.13	177.27	179.22	182.69	172.97
9	Motors (16)	151.64	+1.3	14.22	5.52	8.73	3.20	149.76	149.44	149.85	113.15
10	Other Industrial Materials (17)	868.23	−0.1	8.07	3.85	15.00	15.74	869.46	842.93	865.08	596.89
21	CONSUMER GROUP (177)	643.31	+1.2	9.96	4.06	12.47	10.70	635.62	629.13	634.87	474.75
22	Brewers and Distillers (24)	614.63	+0.6	11.44	4.65	11.05	9.46	610.85	604.77	608.46	487.38
25	Food Manufacturing (21)	478.17	+1.0	12.36	5.09	10.26	12.28	473.27	471.62	472.13	373.11
26	Food Retailing (14)	1557.06	+2.3	5.79	2.68	22.83	13.12	1521.64	1491.65	1504.09	1100.29
27	Health and Household Products (9)	1013.47	+1.8	6.63	2.92	17.69	11.26	1003.60	990.16	1006.98	773.21
29	Leisure (22)	606.89	+1.6	9.43	5.44	13.92	13.82	597.38	591.46	594.67	526.26
32	Newspapers, Publishing (12)	1740.65	+1.3	8.84	4.44	14.56	37.18	1719.06	1718.51	1720.43	1187.20
33	Packaging and Paper (13)	330.25	+1.2	10.72	4.51	11.07	6.10	326.48	329.51	332.14	219.37
34	Stores (42)	648.92	+1.7	7.83	3.32	17.30	9.30	638.07	628.49	635.53	409.76
35	Textiles (17)	303.80	+1.2	15.65	5.29	7.25	7.90	300.18	299.90	304.96	245.58

FIXED INTEREST

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.
B.P. (*520)	460	78	—	—	6
	500	40	55	65	17
	550	14	30	35	43
	600	6	15	—	88

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
SILVER C	$650	151	25	—	—	40	70	$637
SILVER C	$700	10	12	5	30	6	50	"
$/FL C	Fl.315	2	9	—	—	43	14.60	Fl.318.60

TOTAL VOLUME IN CONTRACTS 19,786

A=Ask B=Bid C=Call P=Put

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm July 29

[illegible]

Total sales 7,212,457 shares

MONTREAL

Closing prices July 26

[illegible]

Total Sales 2,114,047 shares

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

New York Active Stocks

[illegible]

TORONTO

[illegible]

	July 29	July 26	July 25	July 24	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	934.7	934.6	941.3	935.7	935.7 (24/7)	715.3 (7/1)
Metals & Mins. (1/1/80)	560.9	549.6	559.4	454.7	583.8 (20/5)	382.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	98.01	97.46	98.93	99.67	105.73 (17/6)	85.21 (24/1)
BELGIUM						
Brussels SE (1/1/80)	2327.23	2322.80	2316.44	2314.88	2327.23 (28/7)	2090.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	u	216.48	214.88	213.64	216.48 (26/7)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	215.2	-	218.8	218.3	233.1 (31/5)	180.9 (3/1)
Ind Tendance (28/12/84)	122.9	123.40	123.20	124.90	130.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	465.82	468.32	470.82	477.85	502.62 (5/7)	382.38 (3/1)
Commerzbank (1/12/53)	1387.7	1379.2	1384.1	1403.5	1486.2 (5/7)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	c	1683.85	1692.06	1665.63	1689.85 (22/7)	1220.74 (2/1)
ITALY						
Banca Comm. Ital. (1972)	354.05	351.88	347.83	351.09	359.03 (23/7)	228.56 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12581.42	12646.89	12647.03	12777.03	13040.10 (8/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1044.30	1048.43	1044.80	1050.00	1055.91 (8/7)	918.83 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	217.8	218.5	218.6	219.1	220.9 (8/7)	185.8 (3/1)
ANP-CBS Indust (1970)	185.2	185.6	185.7	186.4	188.8 (22/7)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	347.38	330.16	u	n/a	347.38 (26/7)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	777.45	778.44	771.78	774.73	852.65 (7/3)	717.95 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	-	888.4	846.9	880.4	1140.8 (15/4)	836.1 (11/2)
JSE Indust (28/9/78)	-	988.3	978.9	997.6	1038.8 (17/7)	787.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	111.78	110.70	c	110.21	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1353.55	1358.34	1350.48	1355.00	1488.98 (11/2)	1285.32 (8/7)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	484.9	487.0	487.0	486.5	489.1 (8/7)	388.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	-	220.9	220.4	220.6	224.3 (17/7)	184.6 (4/1)

* Indicates pre-close figure ** Saturday July 20 Japan Nikkei Dow 12797.88 TSE 1042.05 Base values of all indices are 100 except Australia All Ordinary and Metals – 500 NYSE All Common – 50 Standard and Poors – 101 and Toronto Composite and Metals – 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 industrials § 400 industrials plus 40 Utilities Financials and 20 Transports c Closed u. Unavailable

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 35

[illegible]

NYSE COMPOSITE PRICES

Prices at 3pm, July 29

Continued from Page 35

[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Tr 13% 90	£106%	+£⅜
Ex 12% 13/17	£121	+£⅝
Adams & Gib	290	+54
Baker Perk	177	+14
Bevan (DF)	24	+ 4
Boots	190	+ 6
Bristol Eve	495xd	+49
BAe*	162	+14
Cocksedge	37	+ 6
Debenhams	321	+13
Dee Corp	265	+17
Equipu	202	+12
Falcon Res	60	+ 5
Glynwed Int	189	+10
GKN	210	+ 7
Harris Queens	256	+ 6
Hawker Sidd	377	+10
Metana Min	160	+20
Octopus Pub	585	+40
Pentland Ind	270	+30
Pilkington	277	+ 9
Racal Elec	136	+ 4
Reed Int	635	+16
Robinson (T)	90	+ 9
STC	94	+ 4
Sun (UK) Royalty	140	+20
Tesco	260	+ 9

FALLS

Bullough	215	−17
ICI	662	− 6

* Partly paid

Prices at 3pm, July 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.56	2.6	14	x433	21¾	21½	21¾	+½
17⅜	9¾	AGS			13	120	16¼	15⅞	16¼	+⅜
16½	9⅝	AMCA				20	13	12⅞	12⅞	−½
21½	13	AMF	.25j		41	446	13½	13⅜	13⅜	
13⅝	12⅞	AMF wd				77	13½	13⅜	13½	
60¾	24⅞	AMR			6	3628	46⅞	46⅛	46⅞	+½
22⅞	18⅝	AMR pf2.18		9.7		7	22¾	22½	22½	−⅛
14¼	7⅝	APL				8	9⅝	9½	9⅝	
61⅛	44⅝	ASA		24.2		764	48⅛	47⅛	47¼	+⅛
27	12½	AVX	.32	2.3	19	67	13⅞	13⅜	13⅜	−¼
28⅛	16	AZP	2.72	11.	7	1541	25¼	25	25⅛	+⅛
60	36¾	AbtLab 1.40		2.6	15	3435	55¾	53½	53⅞	−1½
25⅞	19⅛	AccoWd .50		2.4	16	145	21⅝	21¼	21¼	−¼
24¾	12½	AcmeC .40		2.6		63	16¼	15⅝	15⅝	−⅝
10½	7⅜	AcmeE .32b		4.2	10	103	7⅞	7⅝	7⅝	−¼
19	15	AdaEx 1.92e		11.		91	18⅜	18⅛	18¼	
20	11⅞	AdmMl .32		1.8	7	10	17⅝	17⅜	17⅜	
19½	8⅝	AdvSys .53t		4.4	19	48	12¾	12	12⅛	−⅛
41⅛	22⅛	AMD			18	2085	30	29⅛	29¼	−⅝
12¾	6⅞	Advest .12		1.3	20	126	9¾	9	9⅛	−⅝
15⅞	9¼	Aerflex			13	73	14⅝	14½	14½	
49⅝	29⅝	AetnLf 2.64		5.7	34	1997	47⅛	46⅝	46⅝	−⅝
57⅜	52⅜	AetL pf5.79e		10.		31	56	55¾	55¾	−¼
37⅞	18¼	Ahmns 1.20		4.1	8	610	29⅞	29¼	29⅝	+¼
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Market Makers in Euro-Securities

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NYSE COMPOSITE PRICES

Continued from Page 34

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
34½	14⅝	PrimM s .09		.3	31	668	u35	34½	34½	
59⅞	50⅝	ProctG 2.60		4.5	14	1821	57⅝	57⅛	57½	−¼
18¾	6¼	PrdRsh .35		2.0	23	147	17⅞	17½	17⅞	+½
47¼	33⅝	Proler 1.40		3.4	12	8	40⅞	40⅝	40⅝	−½
24¼	17	PSvCol 2		9.8	4	908	21¼	20¼	20½	−¾
68½	53½	PSCol pf7.15		10.		z200	u69	69	69	+½
21¼	16¼	PSCol pf2.10		10.		25	20⅝	20⅛	20⅝	
10⅛	6⅞	PSInd 1		11.	10	508	8⅞	8⅝	8¾	−⅛
26	20	PSIn pf 3.50		14.		z200	25½	25⅛	25½	−¼
9	6	PSIn pf 1.04		12.		z500	8¾	8¾	8¾	+⅜
8⅞	6¼	PSIn pf 1.08		12.		z100	8¾	8¾	8¾	
55	36½	PSIn pf 7.15		14.		z200	51¾	51¾	51¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

Continued on Page 33

AMEX COMPOSITE PRICES

Prices at 3pm, July 29

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 33

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Refunding fuels bout of unease

CONTINUED selling of interest-sensitive insurance issues and utilities, took stock prices on Wall Street lower. Bond prices also eased ahead of news later this week of the Treasury's quarterly refunding plan.

At the close the Dow Jones industrial average was down 13.22 at 1,343.86.

Among blue chips, IBM traded $2¼ lower at $129⅞, General Motors dropped $¾ to $70 and General Electric was down $⅛ at $63⅝.

High technology stock Texas Instruments, which late on Friday reported a loss of $3.9m for the second quarter, was off $2⅞ at $102¾. National Semiconductor, however, rose $⅜ to $14, but Digital Equipment shed $3¼ to $101½.

Among actives, Phillips Petroleum shed $⅛ to $13, Dayton Power and Light rose $⅛ to $18⅞ while Southern Co was unchanged at $21¼.

Aircraft maker Boeing, which lifted second-quarter operating profits by $34m, dropped $⅞ to $46¼ and among other issues to release second-quarter results, Greyhound, the bus system to foods group, added $¼ to $28 on a 14 per cent rise in profits.

Texaco, the third biggest U.S. oil company, showed strong gains from refining and marketing to produce second-quarter net income almost unchanged at $305m. Its shares shed $¾ to $37½.

Elsewhere, AT&T was $½ lower at $21⅝, process plant design and construction group Foster Wheeler dropped $⅛ to $37½, and American Hospital Supply traded down $½ at $44½.

Claire's Stores, which fell $2½ on Friday after being removed from the buy list of a brokerage firm, shed a further $1½ to $22¼ on renewed profit-taking. The group announced that second-quarter net income is expected to be at least 17 cents per share, more than double the comparable figure last year.

Against the trend, G. D. Searle added $⅛ to $64½ and Continental Corporation was $¼ higher at $41⅛.

On the American Stock Exchange, among the most actives were Hasbro, $2 off at $32½, Dome Petroleum unchanged at $2 9/16, Wang Laboratories $½ down at $17⅛ and Echo Bay, up $⅛ at $14⅛.

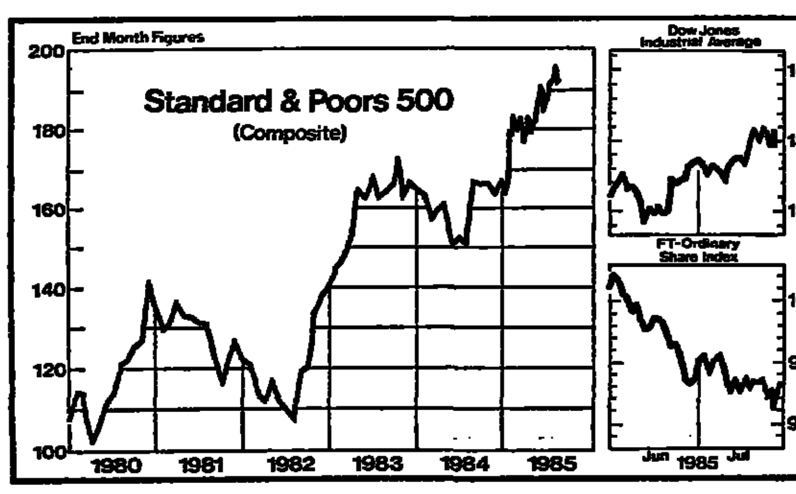
In the credit markets, bond prices were lower with the market waiting for tomorrow's announcement from the Treasury of its latest financing plans. Analysts expect that the operation could involve sales of up to a record $23bn in new notes and bonds.

At the long end, the price of the bellwether 11¼ bond due 2015 eased 22/32 to 103⅜. At the short end, the yield on three-month Treasury bills was marginally firmer while six-month bills also edged higher.

The results of the regular weekly auction of $14.4bn in short-term bills were due late in the session while on Thursday, the Treasury is to sell $8.75bn in one-year bills.

In the money markets, yields on certificates of deposit eased slightly. Federal funds traded steady around 7 9/16 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 29	Previous	Year ago
DJ Industrials	1,344.53*	1,357.08	1,114.62
DJ Transport	679.42*	688.20	466.60
DJ Utilities	155.26*	157.42	124.33
S&P Composite	189.89*	192.40	151.19
LONDON			
FT Ord	932.4	924.1	778.7
FT-SE 100	1,248.9	1,239.7	995.6
FT-A All-share	601.91	597.12	469.67
FT-A 500	655.25	649.93	504.95
FT Gold mines	342.1	332.6	499.0
FT-A Long gilt	10.09	10.15	11.27
TOKYO			
Nikkei-Dow	12,591.42	12,648.09	10,036.2
Tokyo SE	1,044.30	1,048.43	767.11
AUSTRALIA			
All Ord.	934.7	934.6	683.6
Metals & Mins.	550.9	549.6	413.8
AUSTRIA			
Credit Aktien	96.01	97.46	53.51
BELGIUM			
Belgian SE	2,327.23	2,322.6	—
CANADA			
Toronto			
Metals & Minls	2,108.1*	2,120.5	1,703.0
Composite	2,785.2*	2,804.6	2,149.9
Montreal			
Portfolio	137.46*	138.99	105.09
DENMARK			
SE	n/a	216.48	186.1
FRANCE			
CAC Gen	215.2	n/a	160.8
Ind. Tendance	122.9	123.40	85.62
WEST GERMANY			
FAZ-Aktien	465.82	469.32	323.5
Commerzbank	1,367.7	1,379.2	936.2
HONG KONG			
Hang Seng	closed	1,683.85	785.99
ITALY			
Banca Comm.	354.05	351.88	207.14
NETHERLANDS			
ANP-CBS Gen	217.8	219.5	148.5
ANP-CBS Ind	185.2	185.6	121.6
NORWAY			
Oslo SE	347.38	330.16	249.72
SINGAPORE			
Straits Times	777.45	776.44	904.38
SOUTH AFRICA	July 29	Prev	Yr ago
JSE Golds	–	866.4	871.5
JSE Industrials	–	968.3	834.7
SPAIN			
Madrid SE	111.78	110.70	93.06
SWEDEN			
J & P	1,353.55	1,356.34	1,496.81
SWITZERLAND			
Swiss Bank Ind	464.9	467.0	357.6
WORLD	July 26	Prev	Year ago
Capital Int'l	220.9	220.4	167.9

GOLD (per ounce)

	July 29	Prev
London	$328.25	$317.75
Zürich	$326.75	$317.05
Paris (fixing)	$323.65	$318.89
Luxembourg	$322.40	$318.50
New York (Aug)	$326.20*	$322.00

** Latest available figure*

CURRENCIES

(London)	U.S. DOLLAR July 29	U.S. DOLLAR Previous	STERLING July 29	STERLING Previous
$	–	–	1.429	1.4085
DM	2.819	2.864	4.03	4.0275
Yen	237.1	239.25	338.5	336.75
FFr	8.595	8.78	12.285	12.275
SwFr	2.288	2.3345	3.27	3.2875
Guilder	3.1755	3.238	4.5325	4.54
Lira	1,897.0	1,920.0	2,707.0	2,700.75
BFr	56.85	58.05	81.25	81.545
C$	1.349	1.352	1.9255	1.9028

INTEREST RATES

Euro-currencies (3-month offered rate)	July 29	Prev
£	11 7/16	11 11/16
SwFr	4 15/16	5 3/16
DM	4 15/16	5
FFr	11½	11¾
FT London Interbank fixing (offered rate)		
3-month U.S.$	8¼	8 5/16
6-month U.S.$	8½	8⅜
U.S. Fed Funds	7 9/16*	7 9/16
U.S. 3-month CDs	7.90*	7.70
U.S. 3-month T-bills	7.24*	7.21

U.S BONDS

Treasury		July 29* Price	July 29* Yield	Prev Price	Prev Yield
8⅞	1987	99 24/32	9.014	99 27/32	8.92
10⅜	1992	99 11/32	10.50	100 6/32	10.32
11¾	1995	103 15/32	10.665	104 24/32	10.46
11¼	2015	103 26/32	10.807	105 26/32	10.61

Corporate	July 29* Price	July 29* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	100¼	10.11	101	10.10
3⅞ July 1990	80¼	8.80	81	8.70
8⅝ May 2000	83½	11.10	83¾	11.00
Xerox				
10⅞ March 1993	96.85	11.30	97.10	11.20
Diamond Shamrock				
10⅞ May 1993	96.535	11.35	96.785	11.25
Federated Dept Stores				
10⅜ May 2013	83½	11.10	83¾	11.00
Abbot Lab				
11.80 Feb 2013	101	11.75	101¼	11.65
Alcoa				
12¼ Dec 2012	100.50	12.25	100.75	12.15

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	74–10	74–23	74–04	75–02
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.65	92.68	92.63	92.75
Certificates of Deposit (IMM) $1m points of 100%				
Sept	91.93	91.99	91.89	92.03
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	91.61	91.66	91.60	91.73
20-year Notional Gilt £50,000 32nds of 100%				
Sept	113–23	113–25	113–11	113–04

COMMODITIES

(London)	July 29	Prev
Silver (spot fixing)	437.45p	431.75p
Copper (cash)	£1,085.00	£1,089.00
Coffee (Sept)	£1,529.00	£1,537.50
Oil (spot Arabian light)	$27.10	$27.05

TOKYO

Financials caught in sell-off

NEWS OF a major institutional investor refusing to co-operate in the leading city banks' financing programme sent bank stocks sharply lower across the board in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow Jones average lost 98.95 to 12,591.42 on a sharply increased volume of 678.3m shares, compared with last Friday's 495.14m. Declines outnumbered advances by 548 to 268 with 119 issues unchanged.

Among banks, Dai-Ichi Kangyo tumbled Y80 to Y1,700 on news that Nippon Life Insurance, the second largest shareholder, had refused to subscribe to any of the 20m new shares the bank is offering to the public. However, the stock price remained above the offer price of Y1,573 per share.

Other major city banks, such as Sumitomo, Mitsubishi, Fuji and Sanwa, are planning to raise funds of Y50bn to Y60bn by the autumn through convertible bonds overseas and publicly offered new shares at home.

The Hong Kong stock market was closed for a public holiday.

After this news, Sumitomo Bank and Fuji Bank slipped on small-lot selling, losing Y110 and Y70 respectively, to Y2,000 and Y1,720.

Non-life insurance shares lost ground in sympathy, with Tokio Marine and Fire Insurance shedding Y25 to Y995. Trust banks also eased with Mitsubishi Trust and Banking down Y80 to Y1,490.

Blue-chip stocks, particularly in the electrical sector, weakened on fears of greater trade friction with the U.S. Hitachi lost Y21 to Y699, Fujitsu Y6 to Y876 and Sony Y70 to Y3,530.

In contrast, Canon firmed Y1 to Y901 and Ricoh Y9 to Y812 on small-lot buying after falling sharply in the second half of the previous week when the issue of copier dumping surfaced in the EEC.

Elsewhere, biotechnology-related shares were buoyed by the setting of new drug prices for health insurance schemes. Daiichi Seiyaku gained 120 to Y2,350, Dainippon Pharmaceutical Y140 to Y3,350 and Green Cross Y90 to Y2,180.

Public works-related issues were mixed. Sato Kogyo, active with 31.1m shares traded, climbed Y41 to Y440 and Wakachiku Construction Y18 to Y700, while Kajima Corporation shed Y11 to Y454.

Trading in big-capital stocks increased but their prices eased under profit-taking.

Trading on the bond market lacked vigour with the yield on the benchmark 6.8 per cent government bond due in December 1994 rising marginally to 6.415 per cent from last Saturday's 6.410 per cent.

Early in the morning, in response to the dollar's fall below Y237 on the Sydney currency market, city banks and other dealers were keen to buy bonds, but later lost much of their enthusiasm as the dollar rallied to more than Y237 in Tokyo.

AUSTRALIA

GOLD issues shone in Sydney, offsetting a general market decline. Overseas interest in the miners managed to buoy trading sufficiently, however, to leave most prices mixed.

The All Ordinaries index rose a small 0.1 to 934.6 and the gold index jumped 19.7 to 1,027.7, nearly recouping the losses suffered from profit-taking on Friday.

BHP, which on Friday reported a record annual profit, added 2 cents to A$6.64.

In takeover stocks, both Castlemaine and Bond Corporation ended unchanged at A$7.60 and A$1.50 respectively, while Myer Emporium added 12 cents to A$3.25 and Coles eased 2 cents to A$3.88.

Elsewhere, Adsteam fell 16 cents to A$8.74 and Elders IXL rose 8 cents to A$3.20.

SINGAPORE

AFTERNOON profit-taking in Singapore pared earlier gains and left most prices mixed.

The Straits Times index lost a marginal 0.99 to 777.45 with turnover at 19.42m shares, almost identical to last Friday's 19.43m.

Among falls, Genting lost 10 cents to S$5.90, Cerebos 6 cents to S$2.00, Pan-Electric 4 cents to S$2.24 and Haw Par 10 cents to S$2.23.

In mixed banks, UOB shed 4 cents to S$3.86, Malayan Banking remained unchanged at S$5.65 while OCBC added 5 cents to S$8.65 and OUB gained 1 cent to S$2.79.

Elsewhere, Pahang Investment again led the actives, ending ½ cent higher at 65 cents on a volume of 1.3m shares.

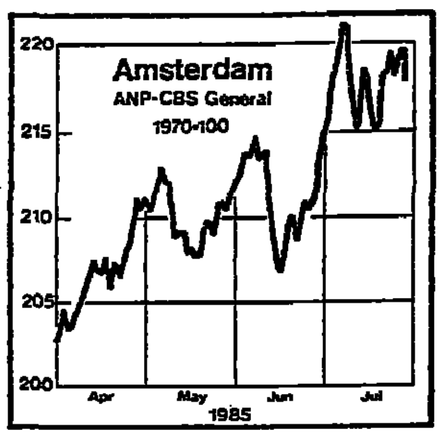
CANADA

GOLDS resisted the broad retreat in Toronto, propelled by a wave of foreign buying redirected from South Africa.

Lake Shore Mines traded C$2 up at C$97½ and Little Long Lac added the same to C$80⅞.

Other actives included Total Petroleum, down C$⅛ to C$19⅞, Ranger off 10 cents to C$4.55 and Ulster 4 cents lower at C$1.31.

Inco, which reported second-quarter earnings against a loss last year, fell C$¼ to C$20½.



EUROPE

Exporters in weaker $ cross fire

EXPORT-ORIENTED stocks were caught in the cross fire of a weaker dollar and a pronounced lack of investor interest on the European bourses yesterday as the holiday season continued to distract operators.

Amsterdam typified the trading pattern. Internationals were mauled, banks fell back and volume remained low. The ANP-CBS General index declined 1.7 to 217.8.

Akzo featured again as the dollar took its toll and some concern that the group may not win a patent case brought against it in the U.S. by Du Pont weakened sentiment enough to trim Fl 2.30 off its share price to Fl 120.20.

Other internationals to suffer were Royal Dutch Fl 1.20 off at Fl 197.40, Unilever Fl 3 cheaper at Fl 348 and Philips which finished the session 30 cents down at Fl 47.60.

In banks, ABN weakened Fl 3 to Fl 501 ex-dividend and Amro dropped 70 cents to Fl 87.30. Insurers were less vulnerable with Aegon 90 cents off at Fl 100.40 and Amev Fl 1.50 down at Fl 272.00.

Oce van der Grinten moved against the trend with a Fl 2 rise to Fl 346 and Elsevier picked up 50 cents to Fl 129.50.

In the bond market foreign buying interest remained selective and prices were mainly unchanged in slow trading as holidays preoccupied local institutions.

The softer dollar undermined **Frankfurt** again although foreign investors were notably absent. Bargain hunters failed to appear after last week's series of setbacks and the Commerzbank index turned lower by 11.5 points to 1,367.7 in thin trading.

Banks were again easy prey to sustained selling with Dresdner Bank down DM 7.50 to DM 267, despite improved first-half results while Deutsche Bank slipped DM 4 to DM 557.50. Commerzbank retreated DM 8 to DM 209.50.

Chemicals settled near the lows of the day with Hoechst DM 2.90 cheaper at DM 213 and Bayer DM 2.30 off at DM 214.

The car makers suffered another unsettled session with Porsche DM 35 down at DM 1,245 and Daimler DM 6 weaker at DM 824 ex-dividend.

In metals, Degussa retreated DM 4 to DM 357 and steel group Thyssen turned DM 1.20 down at DM 115.50.

Bond prices were steady. The Bundesbank sold DM 4.8m of paper after sales of DM 23.6m on Friday. Demand picked up for last week's DM 2.5bn 6¾ per cent state loan as foreign investors warmed to the issue.

Zurich tended easier with financials steady and export-oriented issues encountering some pressure following the slip in the dollar.

Swiss Bank firmed SwFr 1 to SwFr 484 while Baer Holding recouped an early SwFr 500 decline to finish unchanged at SwFr 9,700. Other banking issues dropped by up to SwFr 15.

Swiss Re traded SwFr 300 higher to SwFr 12,900 but Winterthur dropped SwFr 155 to SwFr 4,475.

Bonds were largely steady.

Milan managed a modest gain despite thin trading as the pre-holiday mood distracted mutual fund managers.

The decision by Consob, the stock exchange regulatory commission, to reduce margin requirements to 50 per cent of transaction value from the 70 per cent level imposed last week failed to generate any noticeable enthusiasm.

Industrials showed small gains as Fiat edged L29 higher to a new 1985 high of L4,099, Montedison put on L9 to L2,039 and Snia finished L20 up at L3,330.

Utilities were at the forefront of a stronger **Madrid**. Cantabrico picked up 6.75 percentage points to 140.75 per cent of nominal value while Endesa traded 3 points up to 98 per cent.

Chemicals group Ert held steady at 44.75 per cent of nominal value while Aragoneas rose 2 points to 123 per cent.

Leading construction group Dragados finished 2 points higher at 142 per cent while Cementos Asland advanced 1 point to 137 per cent.

Brussels edged lower although market leader Petrofina added BFr 30 to BFr 5,800 and Solvay firmed BFr 10 to BFr 4,500 on strong U.S. interest.

Stockholm and ***Paris*** both closed down in light trading, the latter suffering a drain on liquidity after the announcement of a FFr 5bn state loan.

LONDON

Encouraged by a cut in rates

FOODS, stores and interest-rate sensitive stocks spearheaded the broad advance in London, as the new trading account began in fine style, helped by the ½ point cut in bank lending rates delivered only minutes before the stock exchange opened.

The stores sector was additionally boosted by a fresh wave of takeover speculation concerning a possible Woolworths bid for Harris Queensway and the last week of the Burtons bid for Debenhams. Harris Queensway added 6p to 256p and Debenhams gained 13p to 321p.

The only cloud on the horizon was the renewed strength of sterling, which continued to cause concern for major overseas earners.

The FT Ordinary share index illustrated the growing confidence in equities during the session, rising 8.3 to 932.4.

Gilts were underpinned by the trend towards cheaper credit with sterling continuing its ascent against the dollar. Buyers were active from the outset on hopes that UK interest rates could come down even further in the short term.

Gains in the short and longer-dated issues ranged to ⅛ with index-linked extending rises to ⅛. The Exchequer 9¾ per cent 1998 wavered around 95¼.

Chief price changes, Page 33; Details, Page 32; Share information service, Pages 30–31

SOUTH AFRICA

SELLING of gold shares in Johannesburg, which began more than a week ago when the state of emergency was declared, appeared to abate yesterday and combined with local buying to leave prices at their highs for the day.

Randfontein added R6 to R190, Driefontein R3 to R42.50, Buffels R3.25 to R63.25 and Kloof R2.25 to R69.50.

Elsewhere, Rustenburg Platinum, which reported a 58.7 per cent rise in full-year profits, rose 25 cents to R16.25 while Highveld Steel lost 30 cents to R5.

Diamond share De Beers was 25 cents higher at R42.50, mining financial Anglo American added 90 cents to R28 and tobacco stock Rembrandt shed 25 cents to R38.